SaskGaming

2011 Annual Report

Next

Year at a glance

Economic impact

- Guests served:
  - Total attendance
    - Casino Moose Jaw: 732,854
    - Casino Regina: 2,808,986
  - Average daily attendance
    - Casino Moose Jaw: 2,008
    - Casino Regina: 7,696
- Income before transfer to the Province's General Revenue Fund (GRF): $51.7 million
- Capital expenditures: $3.9 million
- Payment to the GRF: $25.9 million
- Dividend to CIC: $20.7 million

Public sector contributions

- Municipal taxes: $1.6 million
- Payroll remittances, benefits, and other contributions to employees: $42.2 million
- Purchases from Saskatchewan businesses: $22.8 million

Total employees: 995

Operations

- 995 slot machines
- 32 table games
- Nine poker tables, plus 12 additional poker tables in the Casino Regina tournament room

Community support and investment

- Over 240 organizations received over $759,000 in sponsorship of cash or in-kind services, promotional items, golf tournament sponsorships and support to community events

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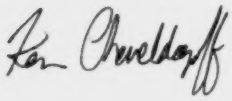
Letter of Transmittal

March 31, 2012

The Honourable Dr. Gordon Barnhart
Lieutenant Governor
Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Gaming Corporation for the year ended December 31, 2011, in accordance with The Saskatchewan Gaming Corporation Act. The Financial Statements are in the form approved by the Treasury Board and have been reported on by the Corporation's auditors.



Honourable Ken Cheveldayoff
Minister Responsible for Saskatchewan Gaming Corporation

Minister's Letter

As the Minister responsible for the Saskatchewan Gaming Corporation (SaskGaming), I am pleased to report that Casino Regina and Casino Moose Jaw made significant contributions to Saskatchewan in 2011.

SaskGaming provides 50 per cent of its profits to the General Revenue Fund and, during the period covered by this report, paid a dividend to the Crown Investment Corporation. The General Revenue Fund distributes gaming profits to the First Nations Trust, Métis Development Fund and the Community Initiatives Fund. The impacts of these contributions are felt throughout the province.

SaskGaming proudly contributed over $759,000 to worthwhile events and community initiatives. Corporation employees generously gave their time and talent to make their communities a better place.

SaskGaming takes its responsibilities to the people it serves seriously, and has made responsible gaming practices part of everyday operations. The responsible gaming program was expanded in 2010 and the corporation will continue to develop and follow best practices in this area of its operations.

Employing nearly 1,000 staff, the corporation is proud of its diverse workforce. Approximately 42 per cent of our workplace is comprised of people of Aboriginal descent, five per cent are persons with disabilities and 11 per cent are visible minorities.

Gaming revenue is used to support numerous priority initiatives in our province. The corporation focuses on being a leader in providing gaming entertainment now, while remaining open to options that will generate additional revenue and benefits. The province is committed to maintaining an appropriate balance between revenue generation and social responsibility.

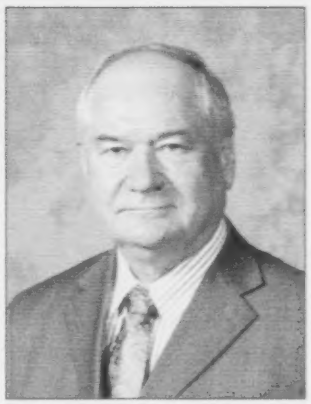
Congratulations and thank you to the outstanding employees at SaskGaming, as well as the exceptional Board of Directors who continue to provide innovative and visionary direction as they make valuable contributions to our province's bright future.

Respectfully submitted,

Ken Cheveldayoff

Honourable Ken Cheveldayoff
Minister Responsible for Saskatchewan Gaming Corporation

Message from the Chair



I'm pleased to say that 2011 has been another positive year for the Saskatchewan Gaming Corporation.

SaskGaming has remained focused on its mission: we offer outstanding gaming entertainment for our guests in a socially responsible manner, generating quality employment, economic benefit to the community, and profit for Saskatchewan people in partnership with First Nations. The corporation remains committed to its goals:

- providing an excellent guest experience
- delivering an excellent employee experience
- being socially responsible, demonstrating responsible gaming practices, reducing our impact on the environment and supporting our communities
- ensuring the long term sustainability of the corporation

The Board of Directors is pleased with the corporation's accomplishments in 2011. SaskGaming remains committed to delivering on the direction and priorities to the Crown sector. In particular, there is a focus on better measuring the effectiveness and efficiency of SaskGaming's operations, a commitment to Aboriginal employment and sponsorship of Aboriginal organizations and events, and supporting a young, diverse workforce.

The road ahead is full of challenges, as the casino industry matures and SaskGaming faces increased competition. However, with the efforts of our dedicated staff, we are prepared for 2012 and beyond.

Wes Becker
Chair

Message from the President and CEO

Once again, I'm pleased to have the opportunity to reflect on the past year for SaskGaming, and look ahead to what our future holds.

We have much to be proud of in 2011, as we once again made a significant contribution to our province. We welcomed over 3.5 million guests and generated over $25 million in income.

We fulfilled our legislated commitment to provide 50 per cent of our profit to the General Revenue Fund (GRF), providing the government with $25.9 million to support our commitment to the Community Initiatives Fund and the First Nations Trust. Additionally, we paid a dividend of $20.7 million to the Crown Investments Corporation to support other government priorities.

We continue to offer our guests an excellent experience at Casino Regina and Casino Moose Jaw, and we continue to lead the public sector with 42 per cent of our workforce represented by Aboriginal people. We remain dedicated to our communities, sponsoring a number of community events and organizations and launching our inaugural Charity Royale event, which benefitted the North Central Family Centre in 2011.

We have also put a great deal of effort into improving our risk management strategies, so that we are prepared for dealing with those risks that may impact our ability to do business.

Indeed, we have laid the foundation for initiatives that are paying off for SaskGaming and the communities we serve. However, we are facing some challenges in the years ahead. With a maturing casino industry and increasing competitive interests, we need to ensure we are positioned for the future.

The changes to our mission and vision statements reflect our commitment to being a leader in providing gaming entertainment in Saskatchewan.

My sincere appreciation to all of the staff who helped make our success possible – we look forward to serving the people of Saskatchewan once more in 2012.

Twyla Meredith, CMA, FCMA
President and CEO

SaskGaming Year in Review

Guest Experience Excellence

The goal at Casino Regina and Casino Moose Jaw is to exceed our guests' expectations for an outstanding entertainment experience. In 2011:

- We entertained 74,826 people at 184 concerts and events in the Casino Regina Show Lounge
- Casino Regina's shuttle service transported 27,692 guests
- Casino Regina partnered with 18 Regina hotels to offer the Stay & Play Program which offered discounted hotel rates, gaming coupons, entertainment and dining discounts
- Casino Moose Jaw partnered with the Temple Gardens Mineral Spa and the Tunnels of Moose Jaw to offer the Moose Jaw Getaway package which offered a discounted hotel rate, Tunnels passes, gaming coupons, entertainment & dining discounts for Casino Moose Jaw
- Casinos Regina and Moose Jaw partnered with bus tour operators to offer the Bus Tour Program that included operator commissions, gaming coupons, entertainment and dining discounts as well as prize draws specifically for bus guests only
- Casino Moose Jaw partnered with the Temple Gardens Mineral Spa to offer a number of hotel packages including the High Rollers and the All-Inclusive Package

In 2011, the "More Fun Here" multimedia advertising campaign returned, one of 23 on-floor promotions and 24 coupon offers throughout the year. As part of this exciting promotion, Casino Regina gave away a colossal grand prize of $100,000 to one lucky winner. Players Club members played slots, table games or poker to earn entries. Bonus entries were collected for each $10 purchase at The Last Spike, CR Express, or Whistle Stop Café and with every Show Lounge ticket purchase. Other major promotions included Winning Word and Royal Treatment 3.

In 2011, we refreshed our Guest Service Strategy, which is intended to ensure our guests receive excellent service when they enter our properties. It includes how we train for it and how we reinforce it. Our strategy is integrated in everything we do, from recruiting and hiring to training and rewarding our employees, so that each guest that walks through our door has an outstanding experience.

Words of praise for Casino Moose Jaw - *"Your casino is amazing and clean, your staff are so helpful, friendly and considerate ... we are definitely coming back. It is more than I expected. WOW!"*

Employee Experience Excellence

Our employees are the cornerstone of everything we do. Our goal is to offer an excellent employee experience where careers can begin and grow.

Developing our people is a high priority – we want to ensure they have all the training and resources necessary to succeed. We launched the Guest Service Excellence strategy with an employee forum and training session, and carry the messages first introduced in that venue throughout our internal communication materials. We've also revamped these materials so they are more effective at providing the information our people need.

Our training school for floor security employees continues, and we held our first Dealer Skills Championship to recognize our outstanding Table Games employees.

We care about the well-being of our employees, and have a number of health and wellness initiatives to provide valuable information on living a healthy life. An employee stop smoking event was held, with the purpose of providing access to resources, expert advice and quitting strategies. Once again, we hosted a diabetes assessment and risk clinic for staff, giving them the opportunity to learn about ways to prevent and control the disease and assess personal risk factors.

Jennifer Matts, Recruitment & Selection Specialist, has been employed with SaskGaming since 2006. *"I've had the pleasure to work with our employees in various capacities such as community investments, volunteerism and recruitment and retention. I value the opportunity to meet and get to know the wonderful employees of this corporation. It makes me proud to be out in the community providing Saskatchewan residents with ways to support their families and recruiting for a corporation that values its employees."*

Social Responsibility

Being responsible to the people and communities we serve is so important to us. Our goal is to act as good corporate citizens and employ the best practices in the gaming industry.

Our Community Relations program is a great source of pride. In 2011, we provided over 240 organizations with more than $759,000 in sponsorship of cash or in-kind services, promotional items, golf tournament sponsorship and support to community events. Our key areas of support are:

- Contributing to a Successful Workforce: we work with community partners in education and business to help create a strong and representative workforce for today and in the future
- Strengthening our Community: dedicated to philanthropic giving to registered charitable organizations or registered charities that help strengthen our community
- Promoting Community Pride: support for projects that promote pride, participation and attract tourism to our host communities of Regina and Moose Jaw; projects include festivals, events and athletics (support of local elite sports teams competing at an inter-provincial or national level)
- Supporting Saskatchewan's Growth through Partnership: support key business related association requests for special not-for-profit events or conferences

Organizations we were pleased to help included:

- Special Olympics Saskatchewan: Casino Regina sponsored the second annual George Reed Golf Tournament in support of Special Olympics Saskatchewan. A number of athletes, including George Reed, SaskGaming's Director of Guest and Community Relations, took part in this special event
- First Nations University of Canada: Casino Regina sponsored the 33rd annual Spring Celebration Pow Wow, which brings approximately 7,000 people to the city each year
- Regina and Moose Jaw Food Banks: Casino Regina and Casino Moose Jaw supported their local food banks through a number of initiatives, including sponsorship of the Filling Empty Bowls Art Auction and Fundraiser, and internal food drives
- Mosaic Concert of Hope: Casino Moose Jaw was the presenting sponsor of this fundraiser in support of the Moose Jaw Health Foundation. Proceeds of the event were used to purchase new surgical equipment for detection and treatment of breast cancer
- Kitchener School Holiday Dinner: Employees spread holiday cheer serving a Christmas meal for students and their families, complete with gifts for every child

"I cannot explain how great I felt volunteering with you all. It was so great seeing smiling faces, and it really warmed my heart being able to give back to the community. I hope to do this again, it really made my day." – Kevin Lavoie, SaskGaming employee

2011 also introduced our signature charity event of the year. In May, Casino Regina held its first annual Charity Royale Benefit Gala. This prestigious event raised over $100,000 for Regina's North Central Community Centre. These proceeds were used for the NCFC Family Literacy Centre, arts and crafts gallery and Youth Leadership and Development Program.

We're proud of our employees who choose to give back to their communities, and support them in their efforts. Our Dollars for Do Gooders program provides donations to charities that our employees support on their personal time. This year, for example, our Purchasing team spent time at Soul's Harbour Rescue Mission, serving meals to clients. The donation of their time was topped up by a cash donation to help the Mission continue its good work.

It's important to us that those who choose Casino Regina or Casino Moose Jaw as their entertainment destination have everything they need to make informed decisions. Our goal is to help prevent and reduce the risks associated with gaming and integrate responsible gaming practices into our everyday operations.

2011 was an important year for our Responsible Gaming program. Our first Responsible Gaming Awareness Week was held in May, with events at both properties held in conjunction with our community partners. Responsible Gaming training for our staff was revamped, and we're preparing for the RG Check certification process. RG Check is an accreditation program created by the Responsible Gambling Council based on the Responsible Gambling Council's (RGC) standards. The RGC is an independent, non-profit organization committed to problem gambling prevention. The program offers gaming companies the opportunity of an independent endorsement of the quality of their responsible gambling programs.

As well, SaskGaming participated in the RGC's Centre for Best Practices' 2011 Research project Responding to Patrons with Potential Gambling Problems. The Manager of Responsible Gaming was asked to present SaskGaming's approach to interacting with all players of all risk levels and stages of change. This forum brought together professionals from across the country to share a variety of perspectives.

A Sustainable Corporation

As a Crown corporation, we demonstrate good governance, integrity and sound management practices to ensure our long term sustainability.

SaskGaming will continue to investigate new revenue opportunities that will enable us to provide economic return to the people of Saskatchewan. Additionally, we are continuing to focus on working effectively and efficiently to make the best use of our people, processes and systems. Our Enterprise Risk Management program contains new efforts to assess and mitigate risk to the corporation.

We will continue to develop and implement technology that will allow the corporation to make better use of information and protect information assets. In 2011, the slot, table games and player loyalty and promotions systems at Casino Regina and Casino Moose Jaw were upgraded to address outdated and limited technologies, improve technical support and take advantage of current and future technologies. New float machines were introduced to the casino banks, allowing for more accurate tracking and efficient service delivery.

In 2011, the corporation achieved a net income before payment to the GRF of $51.7 million. In 2010, SaskGaming achieved income of $43.5 million before payment to the GRF.

SaskGaming is at a mature state in its market cycle, and growth is flattening. In spite of this, SaskGaming achieved its target net income by keeping expenses in check. Moving forward, SaskGaming will consider additional revenue sources, and continue to monitor expenses.

Mandate and Powers of the Corporation

The Saskatchewan Gaming Corporation (SaskGaming) was established as a Treasury Board Crown Corporation under *The Saskatchewan Gaming Corporation Act, 1994*. Effective April 1, 2008, SaskGaming became a Crown Investment Corporation (CIC) Crown.

SaskGaming operates Casino Regina (CR) and Casino Moose Jaw (CMJ) under the regulatory authority of the Saskatchewan Liquor and Gaming Authority (SLGA). SaskGaming also operates in accordance with statutory provisions established under Section 207 of the *Criminal Code of Canada and The Alcohol and Gaming Regulation Act, 1997*. As well, *The Saskatchewan Gaming Corporation Casino Regulations, 2002*, govern the day to day operating practices at Casino Regina and Casino Moose Jaw.

SaskGaming is required to pay 50 per cent of its net profit to the General Revenue Fund to meet the Government's obligations to the First Nations Trust, the Community Initiatives Fund (CIF) and the Métis Development Fund. In addition, SaskGaming pays dividends to the Crown Investment Corporation. SaskGaming is responsible to the Government of Saskatchewan through a Minister and Board of Directors appointed by Cabinet. The Board is comprised of seven members, three of whom are nominated by the Federation of Saskatchewan Indian Nations (FSIN).

The gaming marketplace in Saskatchewan and Canada has matured, yet remains competitive. SaskGaming revised its vision, mission and value statements in 2011 to reflect the changing market conditions it faces and better position itself for future growth.

Vision

SaskGaming is the recognized leader in providing gaming entertainment in Saskatchewan.

Mission

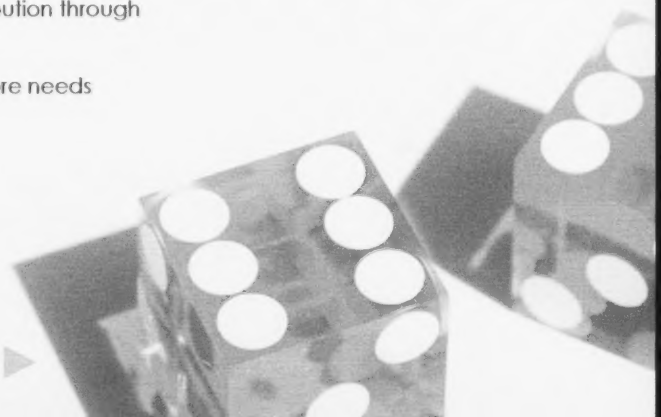
We offer outstanding gaming entertainment for our guests in a socially responsible manner, generating quality employment, economic benefit to the community, and profit for Saskatchewan people in partnership with First Nations.

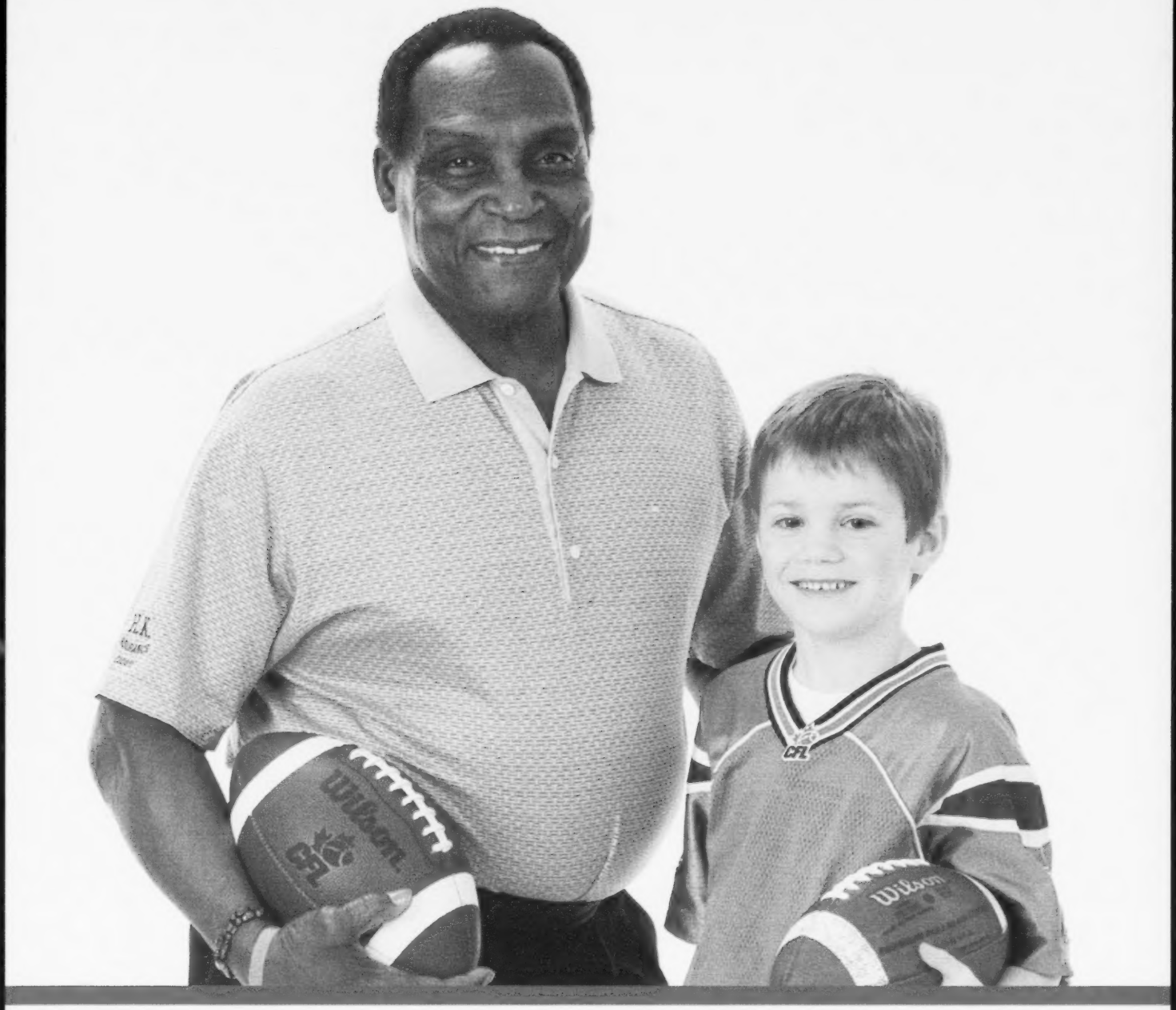
Values

- Respect: We embrace diverse backgrounds. People matter and we treat everyone as we expect to be treated.
- Integrity: We are honest, fair and honour our commitments. We accept responsibility for our actions, both personally and professionally.
- Passion: We feel strongly about achieving our goals and it shows in our enthusiasm for everything we say and do.
- Innovation: We are committed to continuously improve our products, processes, skills and knowledge. To remain competitive we continually improve all aspects of the business.

Distribution of Funds

- SaskGaming pays 50 per cent of its profits to the General Revenue Fund (GRF) to fulfill the government's legislated commitment to the First Nations Trust and the Community Initiatives Fund (CIF) as outlined in *The Saskatchewan Gaming Corporation Act*.
    - The CIF is overseen by the Ministry of Tourism, Parks, Culture and Sport and provides grants to initiatives that enhance human development and community vitality
        - By agreement, the Community Initiatives Fund provides a percentage of the profits it receives from the GRF to the Clarence Campeau Development Fund (CCDF) or the Métis Development Fund. Its mission is to improve the economic circumstances of Saskatchewan's Métis people by providing funding for business development, community economic development, development of management skills and assistance to new and existing Métis owned businesses
        - This agreement specifies an 80/20 split (CIF/CCDF) on the first $10 million and an equal share (50/50) of any remaining revenues
    - The First Nations Trust distributes funding to all First Nations in the province and requires these funds to be spent on economic development, social development, justice, educational development, recreational facilities development and operation, senior and youth programs, cultural development, community infrastructure, health initiatives and other charitable purposes
- The remaining 50 per cent is available for dividend distribution through CIC for other priorities of government
- Remaining amounts are retained by SaskGaming for future needs





SaskGaming is proud to employ Saskatchewan Roughrider legend George Reed as the Director of Guest and Community Relations. George is a key representative of our company and the face of our Community Relations activities. His dedication to his community and to helping others is outstanding, and he is a valued member of our team.

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) highlights the primary factors that had an impact on SaskGaming's results for the period ending December 31, 2011. The MD&A should be read in conjunction with the audited financial statements and accompanying notes. Using financial and operation results as its basis, the MD&A enables readers to view SaskGaming past and future prospects from the perspective of management.

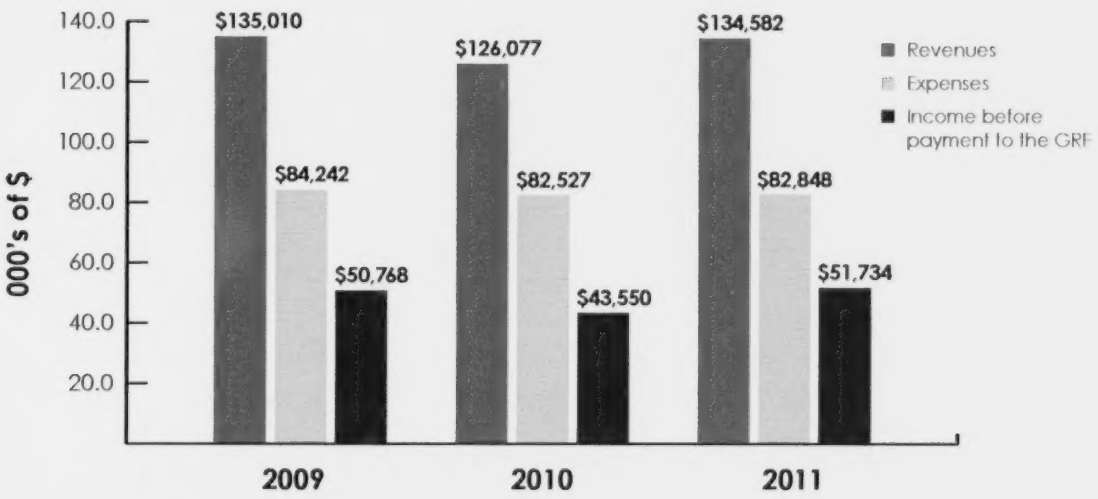
The following discussion includes forward looking statements about the corporate direction and financial objectives of SaskGaming. Due to the risks inherent in any forecast, actual results could differ markedly from those anticipated. Forward looking statements reflect SaskGaming best estimates and assumptions based on information available at the time the statements were made.

The Canadian Gaming Industry

The Canadian gaming market has been maturing over the past few years. Mature markets are marked by modest, or even declining, revenue growth, which is a recent trend for Canadian gaming firms. The Canadian Partnership for Responsible Gambling reports that net gaming revenues in Canada declined from $14.0 billion in 2008-09 to $13.7 billion in 2009-10 or a decline of 2.3 per cent.[1] Statistics Canada also supports the mature market hypothesis by stating that net gaming revenues in Canada have remained flat at $13.7 billion between 2007 and 2010.[2]

Figure 1 illustrates that SaskGaming also fits this trend as revenues have declined slightly between 2009 and 2011. However, SaskGaming has managed maintain its Income before Payments to the General Revenue Fund (GRF) through strong expense management.

Figure 1: Revenues, Expenses and Income before Payment to the GRF - 2009 to 2011



[1] Sources of these net revenues include bingos, government-run lotteries, video lottery terminals (VLTs), casinos and slot machines not in casinos and other types of internet gaming. Canadian Partnership for Responsible Gambling, Canadian Gambling Digest: 2009-10 (published March 31, 2011), p.6. Sourced at http://www.cprg.ca/digest.cfm.

[2] Sources of these net revenues include government-run lotteries, video lottery terminals (VLTs), casinos and slot machines not in casinos. Statistics Canada, Gambling 2011, Perspectives on Labour and Income (published September 23, 2011), Catalogue No. 75-001-X, p.3.

Financial Results

SaskGaming exceeded its target 2011 target for Income Before Payment to the General Revenue Fund (GRF) by over $600,000. The corporation was able to meet its 2011 target by limiting expense growth in the wake of revenue growth that was below expectations. This also represents an increase of $8.2 million over the 2010 results.

Comparisons against 2010 results are difficult since there was a 53-day strike at Casino Regina, which caused revenues from slots, table games and other sources to decline significantly. Therefore, this MD&A provides comparisons to 2009 results to provide greater insights to trending over time and to enable more complete year-over-year result comparisons for 2011.

Figure 2: Key Financial Highlights (000s of $ Unless Otherwise Noted)

	Years*			2010-2011		2009-2011	
Category	**2011**	**2010****	**2009**	**$ Change**	**% Change**	**$ Change**	**% Change**
Revenue	134,582	126,077	135,010	8,505	6.7%	(428)	(0.3%)
Expenses	82,848	82,527	84,242	321	0.4%	(1,394)	(1.7%)
Income before payment to GRF	51,734	43,550	50,768	8,184	18.8%	966	1.9%
Payment to GRF	25,867	21,504	25,384	4,363	20.3%	483	1.9%
Net Income	25,867	22,046	25,384	3,821	17.3%	483	1.9%

* Fiscal year end as of December 31st. ** There was a 53-day labour disruption in summer 2010.

Revenues

Revenues increased by $8.5 million (6.7 per cent) in 2011 over 2010. Revenue declined when compared to 2009 by $428,000 (0.3 per cent). This flattening of revenue growth is not due to declines in the popularity of casino gaming. To the contrary, guest visits increased by 3.3 per cent in 2011 compared to 2010 and by 7.7 per cent since 2009.

Figure 3 – Guest Counts (000s of Guests Unless Otherwise Noted)

	Years*			2010-2011		2009-2011	
Location	**2011**	**2010****	**2009**	**Person Change**	**% Change**	**Person Change**	**% Change**
Casino Regina	2,808.9	2,668.7	2,590.8	140.3	5.3%	218.1	8.4%
Casino Moose Jaw	732.9	760.6	699.4	(27.8)	(3.7%)	33.5	4.8%
Total	**3,541.8**	**3,429.3**	**3,290.2**	**112.5**	**3.3%**	**251.6**	**7.7%**

* Fiscal year end as of December 31st. ** There was a 53-day labour disruption in summer 2010.

While guest visits have continued to rise, average per guest spending has declined, demonstrating a maturing of both gaming in our regional markets and the industry more broadly.

Figure 4 – Revenues by Type (000s of $ Unless Otherwise Noted)

	Years*			2010-2011		2009-2011	
Revenue Type	**2011**	**2010****	**2009**	**$ Change**	**% Change**	**$ Change**	**% Change**
Slots	114,224	107,719	113,829	6,505	6.0%	395	0.3%
Table Games	9,539	8,521	9,864	1,018	11.9%	(325)	(3.3%)
Food & Beverage	7,218	6,195	7,410	1,023	16.5%	(192)	(2.6%)
Other	3,601	3,642	3,907	(41)	(1.1%)	(306)	(7.8%)
Total	**134,582**	**126,077**	**135,010**	**8,505**	**6.7%**	**(428)**	**(0.3%)**

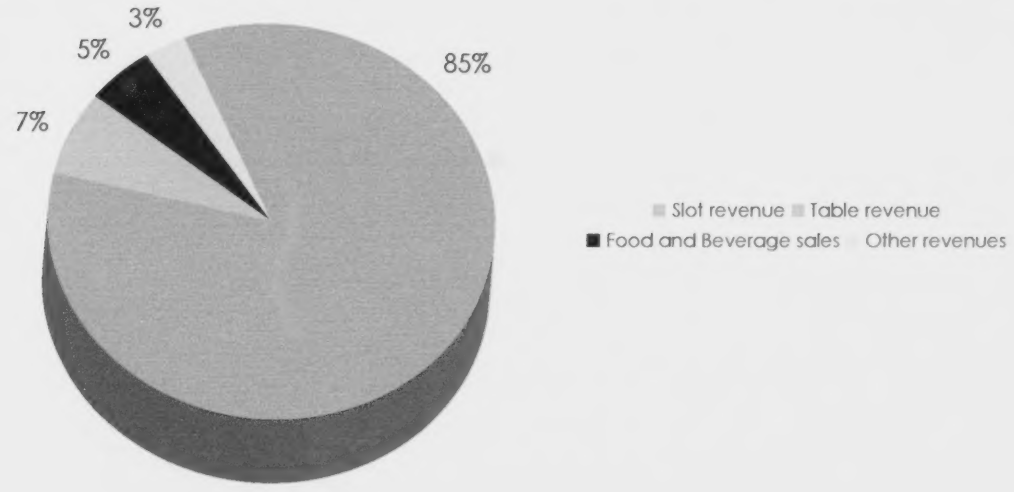
* Fiscal year end as of December 31st. ** There was a 53-day labour disruption in summer 2010.

Slots revenue increases are partially being limited by the organization's capacity to serve customers during peak weekend evening traffic periods. During these time periods, SaskGaming's available slot machines and slot machine selection does not accommodate customer demand. During 2011, table games opening hours and game selection continued to be adjusted to mirror customer demand by time of day and their game preference.

Food and Beverage sales are down, in part, due to food price increases at the Last Spike restaurant (although this decrease was partially offset by higher alcohol sales). 'Other' revenues declined mainly due to decreases in parking revenues. Lower parking revenues are a result of malfunctioning parking lot equipment for part of the year as well as the number of parking coupons redeemed by guests, as a share of parking revenues, increasing in 2011.

Figure 5 shows that Slots revenues comprised 85 per cent of SaskGaming's total revenue in 2011 (it should be noted the revenue shares are fairly similar from year to year). Therefore, the 6.0 per cent increase in Slot revenues was the main driver of the year-over-year revenue growth of 6.7 per cent in 2011. Additionally, between 2009 and 2011, the small increase in Slot revenues (0.3 per cent) was not quite enough to offset decreases in the other revenue categories [Table Games (3.3 per cent); Food & Beverage (2.6 per cent); and Other (7.8 per cent)] leading to an overall decrease in revenues of 0.3 per cent during this period.

Figure 5: Revenues by Share of Total (%) - 2011



Expenses

Within the context of flattening revenues since 2009, SaskGaming has aggressively managed its operating expenses to ensure it met its net income targets. Figure 6 shows SaskGaming limited its expense growth in 2011 to 2.7 per cent, compared to 2010, while decreasing operating expenses by 1.6 per cent when compared to 2009.

Figure 6 – Expenses by Type (000s of $ Unless Otherwise Noted)

	Years*			2010-2011		2009-2011	
Expense Type	**2011**	**2010****	**2009**	**$ Change**	**% Change**	**$ Change**	**% Change**
Operating Expense	68,081	66,320	69,223	1,761	2.7%	(1,142)	(1.6%)
Depreciation	6,905	7,878	6,502	(973)	(12.4%)	403	6.2%
Taxes	3,375	3,567	3,459	(192)	(5.4%)	(84)	(2.4%)
Finance Expenses	1,472	1,747	2,043	(275)	(15.7)	(571)	(27.9%)
Contractual Obligations	3,015	3,015	3,015	0	0.0%	0	0.0%
Total	**82,848**	**82,527**	**84,242**	**321**	**0.4%**	**(1,394)**	**(1.7%)**

* Fiscal year end as of December 31st. ** There was a 53-day labour disruption in summer 2010.

This was accomplished by significantly reducing expenses in discretionary operating expenses. Total operating expenses increased by 0.4 per cent in 2011 over 2010, while decreasing by 1.7 per cent between 2009 and 2011.

SaskGaming made capital investments of nearly $3.9 million in 2011. Some of the major projects that SaskGaming undertook in 2011 were the automation of its parking lot system, a gaming system upgrade and the development of a new staff scheduling system.

Performance Management Plan and Balanced Scorecard

SaskGaming's Performance Management Plan (PMP) has four key strategic goals to support the corporation's efforts to deliver on its vision, mission and its strategic goals. The four strategic goals are as follows:

- Guest Experience Excellence;
- Employee Experience Excellence;
- Social Responsibility; and
- Sustainable Corporation.

SaskGaming's Balanced Scorecard (BSC) has a number of measures under each of the four goals to define success and monitor achievement of these goals. In 2011, SaskGaming changed how it interprets whether it is meeting its targets for its BSC measures. The new interpretations are as follows:

- Exceeding: results are at 105% of the target;
- Achieving: results are between 100% to 104% of the target;
- Progressing: results are between 90% to 99% of the target; and
- Not Meeting: results are less than 90% of the target.

The reason for the change is to be more consistent with how other Crown Corporations report their results to Crown Investments Corporation (CIC). SaskGaming also revised some BSC measures this year to better assess progress on the strategic goals. The remainder of the section is organized by the four main strategic goals and provides the following information:

- SaskGaming's performance in 2011 on its existing set of BSC measures under each of the four main strategic goals;
- The corporation's 2012 targets for its BSC measures are listed to illustrate its future targets;
- Where applicable, descriptions of SaskGaming's new BSC measures are offered to explain the rationale for the changes in the measures; and
- Overviews of the major initiatives and/or activities that support are provided to explain how SaskGaming intends to work towards the achievement of its 2012 BSC targets and its four main strategic goals.

Goal 1: Guest Experience Excellence

The focus of SaskGaming's Guest Experience Excellence goal is to continually strive to exceed our guests' expectations. The 2011 results from the BSC measures suggest the corporation is on track in delivering on its Guest Experience Excellence goal. For example, SaskGaming's staff exceeded its 2011 targets by more than five per cent in both the Willingness to Recommend and the Mystery Shopper measures.

Additionally, the new Guest Satisfaction and Guest Opinion About Safety measures, which were benchmarked in 2011 and, therefore, did not have a specific target in 2011, were also strong at 80.8 per cent and 87.6 per cent, respectively. Beginning in 2012, the new Guest Satisfaction metric replaces the Willingness to Recommend metric because it more effectively measures guests' overall satisfaction with their experience at Casinos Regina and Moose Jaw. The Guest Opinion about Safety measure has been added as a measure because safety is a cornerstone to delivering a high quality entertainment experience.

Figure 7: Guest Experience Excellence BSC Measures

MEASURES	2011 Target	2011 Actual	2011 Result	2012 Target
Willingness to Recommend (Discontinued in 2012)	72.0%	75.8%	Exceeded	N/A
Mystery Shopper (Modified Methodology in 2012)	81.0%	88.2%	Exceeded	90.2%
Guest Satisfaction (New in 2012)	BMK	80.8%*	Achieved	81.5%
Guest Opinion About Safety on Premises (New in 2012)	BMK	87.6%*	Achieved	88.0%

* Items asterisked are based on a single survey in Q3 2011 and not year-to-date totals.

Exceeded – 105% or greater than target, **Achieved** – 100% to 104% of target, **Progressed** – 90% to 99% of target, **Not Met** – Less than 90% of target, **No Report** – No 2011 target as measure is being benchmarked, **BMK** – Benchmark, **N/A** – Not Applicable.

The methodology used to measure the Mystery Shopper measure will be changed starting in 2012. One specific element of the Mystery Shopper is no longer included in the calculation of the value because it was not instructive to management. With the removal of this element, the Mystery Shopper measure is expected to increase significantly in 2012 to 90.2 per cent. On the other hand, the 2012 targets for Guest Satisfaction and Guest Opinion about Safety measures are only slightly higher than 2011.

SaskGaming has two key strategies that support the Guest Experience Excellence strategic goal: the Guest Service Strategy and the "Deliver an Always Entertaining Experience" strategy. The Guest Service Strategy describes the experience that our guests receive when they enter our properties. It includes our guest service philosophy - how we train for it and how we support it back of house and corporately. We have refreshed our approach to re-engage and excite employees about bringing the guest service experience to life every day, and ensure we are supporting them in doing so through training, communication and coaching. In 2011, we developed and implemented a new Guest Service Strategy, including integration with recruitment, training, communication and measurement.

Casinos Regina and Moose Jaw promise an "Always Entertaining" experience to our guests. SaskGaming is dedicated to creating an entertaining experience, including the property and environment, and keeping gaming products and services fresh in a manner our guests expect. A diversified mix of in-house promotions, direct mail, Players Club programming and complimentary offerings serve the guests expectations for entertainment with a focus on increasing the frequency of wins, celebrating wins as well as augmenting the use of appealing, on-floor visual displays. The full amenities of both properties will be used to create an entertaining experience for SaskGaming's guests.

SaskGaming worked to drive incremental market penetration focusing on adults in the 30-49 age groups within the primary market areas of Moose Jaw and Regina. Advertising and promotions appealed to these groups to stimulate visitation to SaskGaming properties. The corporation also supported activity that maintained player loyalty, developed additional members within player segments and encouraged repeat visits by existing regular customers.

This strategy was successful at increasing guest visitation to our properties. SaskGaming set a new record for guest visits in 2011 at 3.542 million, which is a 3.3 per cent increase over 2010.

Goal 2: Employee Experience Excellence

It is the corporation's goal to offer an excellent employee experience to a diverse workforce where careers can begin and grow. Satisfied employees are critical to delivering service that exceeds our guests' expectations.

SaskGaming is proud to have more than achieved its target for Aboriginal representation within its workforce at 42.3 per cent in 2011. It is worth noting that SaskGaming is a leader among all Crown corporations in this measure, where the Aboriginal share of employment in the Crown sector is 13 per cent with SaskGaming (and would only be 10 per cent without SaskGaming included). Given this level of success, SaskGaming has maintained its 2012 target for Aboriginal representation at 42 per cent.

SaskGaming developed its bi-annual employee satisfaction survey in 2010, using the National Business Research Institute's (NBRI) methodology, establishing a benchmark for employee satisfaction of 48 per cent. The 50th percentile represents the average of similar-sized industries. No survey was conducted in 2011 with the next one being completed in Q1 2012. This survey will continue to be completed on a bi-annual basis since it takes substantial time to assess results, plan actions and implement before outcomes can be measured again.

Figure 5: Employee Experience Excellence BSC Measures

MEASURES	2011 Target	2011 Actual	2011 Result	2012 Target
Aboriginal Representation	42.0%	42.3%	Achieved	42.0%
Employee Satisfaction (New in 2012)	BMK**	BMK**	Achieved	50.0%
Employee training and development - % of Payroll (Discontinued in 2012)	2.8%	2.0%	Not Met	N/A
Service Component of Guest Satisfaction (New in 2012)	BMK	83.7%*	No Report	84.5%
Employee Safety (New in 2012)	BMK	6.1%*	No Report	6.0%

* Items asterisked are based on a single survey in Q3 2011 and not year-to-date totals.
** Employee Satisfaction survey completed bi-annually. Benchmark of 48% established in 2010.

Exceeded – 105% or greater than target, **Achieved** – 100% to 104% of target, **Progressed** – 90% to 99% of target, **Not Met** – Less than 90% of target, **No Report** – No 2011 target as measure is being benchmarked, **BMK** – Benchmark, **N/A** – Not Applicable.

SaskGaming developed a new Employee Safety measure to support its commitment to maintaining a safe and healthy work environment for its employees. The measure represents an injury frequency rate and is calculated as the percentage of total injuries per 100 employees. The 2012 target of 6.0 per cent is below comparable businesses within the Workers Compensation Board's (WCB) industry rate code injury rate and the WCB's provincial average injury rate.

SaskGaming spent two per cent of its total payroll on employee training and development in 2011, which is below its target of 2.8 per cent. While training remains an important component of its strategic direction to create an outstanding work environment, committing a specific percentage of payroll to training does not effectively measure the corporation's efforts to provide quality training opportunities or the success of the training efforts. This measure will no longer be included in the Balanced Scorecard after 2011.

Instead, the corporation will now use the Service component of the Guest Satisfaction metric as a proxy measure of the effectiveness of its hiring and training programs. Hiring the right staff, and providing them with the appropriate training, supports the delivery of high quality service to casino guests. The 2012 target of 84.5 per cent for this measure has been chosen based on the 2011 benchmark of 83.7 per cent.

SaskGaming remains committed to providing a solid foundation for employees to be successful, while at the same time providing opportunities for employees to develop and grow to meet their personal goals while demonstrating service excellence. SaskGaming knows it will be successful when its employees have a clear understanding of their roles with developmental milestones and a targeted learning plan to support the achievement of milestones. We consider it a success when an employee can either learn and grow in our organization or move toward career success at in other organizations.

In 2011, SaskGaming continued to develop and implement its corporate learning system. Employee learning profiles were created and employee's baseline information was confirmed. Comprehensive department learning plans, indicating the training required on both an organization level basis and also on a position-by-position basis, were created. Training to support the new guest service strategy was also completed for approximately 600 front-line Operations and Security employees and approximately 100 Operations and Security supervisors, managers and supporting staff.

SaskGaming moved from an employee engagement strategy to an employee satisfaction model in 2011. Employee satisfaction focuses on the drivers of loyalty and the work experience. This assists SaskGaming in creating work environments that work for employees by addressing their most significant workplace concerns. Some of the notable outcomes included:

- Actionable Recommendations Forum – Employee meetings were facilitated to enable employees to come to conclusions on which specific actions they wanted completed to address the survey results.
- Improving Communications – This includes centralized staff bulletin boards, supervisory communications, staff meetings, staff schedule information centre, employee recognition, improved marketing promotions communications, harassment prevention training and Employee Forums; and
- Scheduling Improvements – Employees have been given tools to enable shift trading and limits on weekend scheduling.

Goal 3: Social Responsibility

It is part of SaskGaming's mission to offer outstanding entertainment in a socially responsible manner. This means we demonstrate good corporate citizenship and employ the gaming industry's best practices.

Figure 9 illustrates that SaskGaming came close to achieving its three Social Responsibility BSC measures in 2011 (i.e. Aboriginal Procurement, Public Awareness of Responsible Gaming and the Corporate Responsibility Index). SaskGaming's performance on each of these three measures was within two per cent of their respective 2011 targets.

Figure 9: Social Responsibility BSC Measures

MEASURES	2011 Target	2011 Actual	2011 Result	2012 Target
Aboriginal Procurement – 000s of $ (Measurement Discontinued in 2012)	2,080	2,062	Progressed	N/A
Public Awareness of Responsible Gaming at Casino Regina and Casino Moose Jaw (Measurement Discontinued in 2012)	55.0%	54.0%	Progressed	N/A
Corporate Social Responsibility Index (Measurement Discontinued in 2012)	3.01	2.98	Progressed	N/A
Green House Gas Emissions (New in 2012) (2008 Baseline = 9,673 Tonnes) (Cumulative % Reduction from 2008 Baseline)	BMK	BMK	Achieved	9,000 (7.0%)
Aboriginal Sponsorship - % of Total Sponsorship (New in 2012)	BMK	18.0%*	Achieved	19.0%
Guest Awareness of Responsible Gaming (New in 2012)	BMK	60.8%*	Achieved	62.0%
Public Opinion of Community Support (New in 2012)	BMK	44.4%*	Achieved	46.0%

* Items asterisked are based on a single survey in Q3 2011 and not year-to-date totals.

Exceeded – 105% or greater than target, **Achieved** – 100% to 104% of target, **Progressed** – 90% to 99% of target, **Not Met** – Less than 90% of target, **No Report** – No 2011 target as measure is being benchmarked, **BMK** – Benchmark, **N/A** – Not Applicable.

However, SaskGaming is discontinuing each of these measures within its Balanced Scorecard. Each of these measures is being replaced with three new ones. For example, the Aboriginal Procurement measure is being discontinued because relevant purchasing goals have been reached. The new Aboriginal Sponsorship metric measures progress on SaskGaming's Community Giving strategy directed at ensuring a portion of its sponsorship support is dedicated to events or organizations that profile or benefit Aboriginal people.

In 2011, SaskGaming also sponsored many major community relations activities including the First Nations University annual Pow Wow, Evraz Place Community Skate Program, Regina and Moose Jaw food bank initiatives, National Aboriginal Day, Special Olympics Saskatchewan's annual George Reed Golf Tournament, Moose Jaw Charity Road Race, Mosaic Concert of Hope, Chili for Children, and A Proud Generation Calendar.

It is important that the general public is aware and supportive of SaskGaming's community relations activity. A new balanced scorecard measure, Public Opinion of Community Support, will capture progress in this area. The 2012 target of 46 per cent for this new measure has been chosen based on the 2011 benchmark of 44.4 per cent.

Responsible gaming considerations are integrated into the corporation's day-to-day business activities and our Responsible Gaming program actively helps prevent and reduce the risks involved with gaming for our guests. As such, beginning in 2012, SaskGaming will survey guests about Guest Awareness of Responsible Gaming to assess our effectiveness at reaching guests with the appropriate information. SaskGaming has discontinued the Public Awareness of Responsible Gaming measure in favour of a guest measure.

SaskGaming collaborates with local, provincial and national stakeholders to improve and enhance its standards for responsible gaming including preventative measures such as self-exclusion. Further, SaskGaming implemented the new position of Security & Responsible Gaming Manager at Casino Moose Jaw to enhance responsible gaming services and security management. License plate recognition technology has been implemented, tested, and is fully operational resulting in positive identification of vehicles associated with self-excluded patrons. Responsible Gaming training is being reviewed and enhanced to meet the needs of a diverse work force. SaskGaming also continued its work towards responsible gaming certification through RG Check.

Contributing to a greener environment is an important priority for SaskGaming. The corporation completed its baseline assessment exercise for greenhouse gas (GHG) emissions at its Casino Regina location with support from SaskPower Eneraction. This led to the establishment of a benchmark for GHG emissions for Casino Regina and a reduction target of 22 per cent by 2016, using 2008 as a base year. SaskGaming worked with SaskPower to develop a five-year building retrofit program to improve water, power, fuel and gas consumption at Casino Regina with the retrofit program beginning in 2012. In the first year of this program, SaskGaming is anticipating a seven per cent reduction in GHG emissions at Casino Regina.

Goal 4: A Sustainable Corporation

Demonstrating good governance, integrity and sound management practices are essential to ensuring the long-term sustainability of SaskGaming. The results for the Balanced Scorecard measures indicate that SaskGaming delivered solid financial results in 2011 despite the revenue challenges noted in the Financial Highlights section.

Figure 10: Sustainable Corporation BSC Measures

MEASURES	2011 Target	2011 Actual	2011 Result	2012 Target
Income before payment to GRF (000s of $)	51,092	51,734	Achieved	51,200
EBITDA Margin	48.0%	49.4%	Achieved	47.5%
Debt/Equity Ratio (Discontinued in 2012)	44.3%	33.8%	Exceeded	N/A
Debt EBITDA Ratio (New in 2012)	BMK	0.31	Achieved	0.29
Capital Asset Turnover Ratio (New in 2012)	BMK	2.0	Achieved	2.1
Payroll Margin (New in 2012)	BMK	31.4%	Achieved	31.6%
Guest Count (New in 2012) Levels (000s) Annual Growth (%)	BMK	3,542 3.3%	Achieved	3,514 (0.1%)

Exceeded – 105% or greater than target, **Achieved** – 100% to 104% of target, **Progressed** – 90% to 99% of target, **Not Met** – Less than 90% of target, **No Report** – No 2011 target as measure is being benchmarked, **BMK** – Benchmark, **N/A** – Not Applicable.

SaskGaming met its target for Net Income Before Payment to the GRF and exceeded its target for EBITDA Margin at 49.4 per cent. This outcome is the result of effective expense management by SaskGaming given less-than-anticipated revenues in 2011. Further, the corporation's Debt-to-Equity ratio of 33.8 per cent was well below the 2011 target of 44.3 per cent since SaskGaming had no borrowing requirements in 2011.

SaskGaming undertook a review of its financial measures in 2011, with the objective of replacing and/or expanding the number of Balanced Scorecard financial measures that better reflect the organizations financial performance. As a result, the Debt/Equity Ratio measure will be replaced with the Debt EBITDA ratio, which provides an estimate of the length of time (in terms of years) to repay long-term debt from operating income. The 2012 target for this measure is 0.29 based on an expected long-term debt repayment of $1.3 million in 2012.

Two additional measures are being added; the Capital Asset Turnover Ratio and Payroll Margin for 2012. The Capital Asset Turnover Ratio measures the effectiveness of generating revenues from investments in capital assets. The 2012 target of 2.1 is favorable to other Canadian gaming companies and is based on SaskGaming's 2012 budget.

Payroll is one of the most significant operating costs for casinos. The Payroll Margin measures the ratio of payroll to revenue and indicates whether management is effective at efficiently managing payroll costs. The 2012 target of 31.6 per cent is based on SaskGaming's 2012 budget including anticipated wage increases within collective bargaining agreements and additional efficiency gains.

The Guest Count measure has also been added to evaluate the success of attraction programming, including promotions. Guest Count provides a measure of corporate sustainability as it is used to establish revenue targets for SaskGaming. The 2012 target of 3.514 million guests is based on near-term growth trends in visitation at Casinos Regina and Moose Jaw and planned promotional activities.

In 2011, SaskGaming continued to ensure the long-term sustainability of the corporation and respond to the Premier's June 2010 Mandate Letter to:

- Pursue innovative sources of revenue;
- Work with Saskatchewan Liquor and Gaming Authority (SLGA) as well as the Ministries of First Nations and Métis Relations (FNMR) and Tourism, Parks, Culture and Sport (TPCS) to review the gaming governance structure in Saskatchewan with the goals of consolidating and streamlining governance while maintaining an appropriate balance between revenue generation and social responsibility.

SaskGaming supported this work by reviewing options to address its capacity issues and to introduce new gaming products for its guests. The corporation also completed work to implement strategies to optimize revenue growth without compromising guest experience excellence. This work included an independent review of slot and table games business practices to assess their effectiveness and to identify best practices in the industry. The approval and adoption of the recommendations began in Q4 2011. Additionally, an internal review of the parking, shuttle and valet operations at Casino Regina was completed, which recommended the installation of a new automated parking lot system. The implementation of the recommendations began in 2011 but will not be completed until 2012. Additionally, a business process improvement position was staffed in 2011 to explore other process efficiencies and gains that can be found for the corporation.

SaskGaming also continued to focus on working effectively and efficiently, making the best use of our resources, including people, processes and systems both on the gaming floor and behind the scenes.

SaskGaming continued to develop and implement technology that will allow it to make better use of information and protect information assets. Priorities for 2011 were the replacement of the gaming system, the banking system and the staff scheduling system. Work in the banking system and scheduling system will continue in 2012. Work was also completed on a business case for the development of an electronic inventory system for slot machine repairs.

SaskGaming takes seriously the need to safeguard its assets, including the safety and security of people, guests, property, information, and financial resources. Priorities for 2011 were to continue implementing and documenting its Enterprise Risk Management (ERM) and its Business Continuity Plans as part of its security framework. More detail on these activities will be provided in the next section.

Risk Management

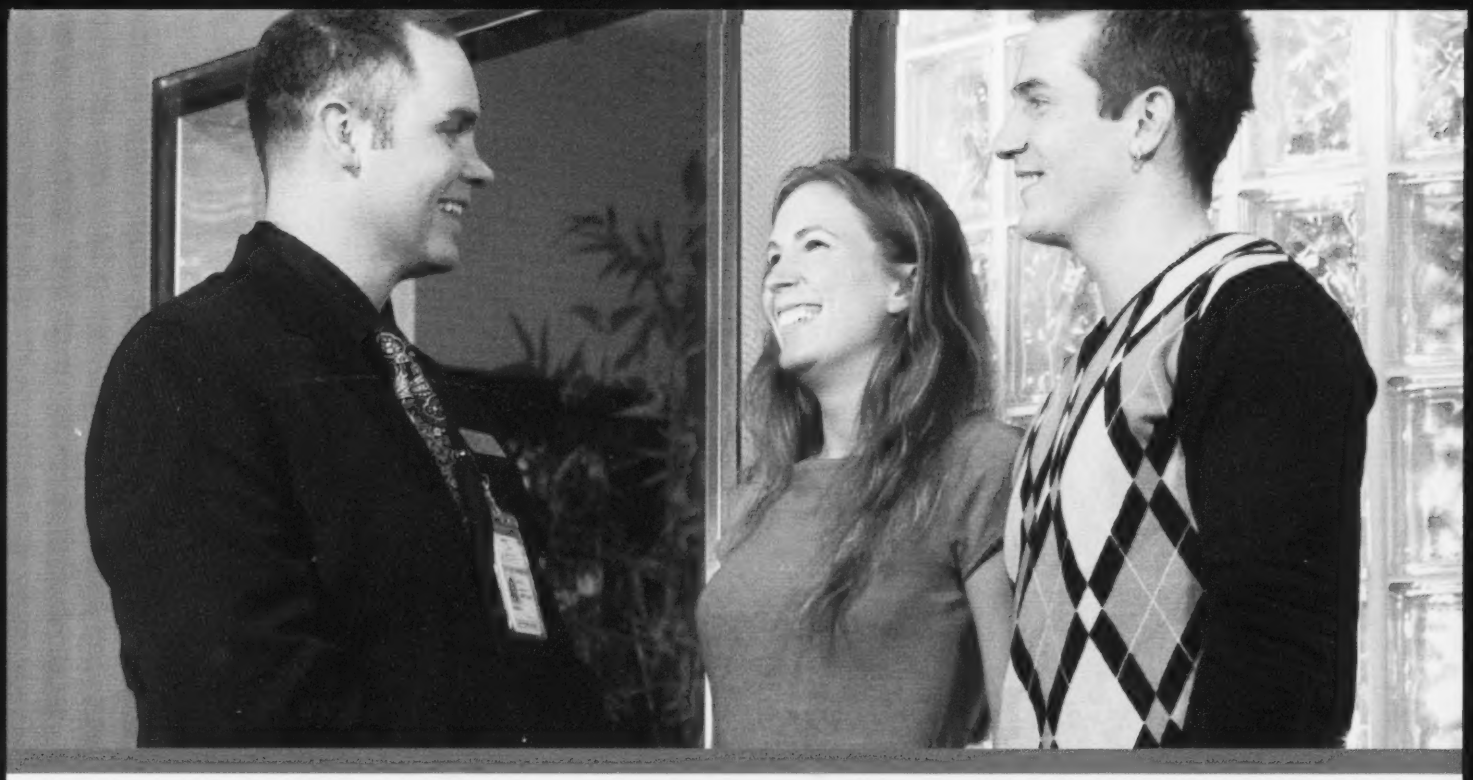
As a method of practicing good corporation governance and accountability, SaskGaming has implemented an Enterprise Risk Management (ERM) program that is modeled to be in compliance with the CIC's risk management minimum standards and the *Committee of Sponsoring Organizations of the Treadway Commission (COSO) model*. The ERM approach enables strategic, operational, reputation, reporting, and compliance risks to be identified and managed effectively and in alignment to SaskGaming's four strategic goals: Guest Experience Excellence; Employee Experience Excellence; Social Responsibility; and A Sustainable Corporation.

SaskGaming has a formal ERM policy and framework, with consistent risk identification and evaluation and formalized action plans for all significant risks. SaskGaming conducts detailed risk assessments for all significant corporate projects and develops project risk treatment plans. SaskGaming's approach to risk management is cross-functional and multi-disciplinary recognizing that risks are not only financial. SaskGaming is committed to focused and systematic risk management as an essential component of all decision-making. The Board of Directors provides oversight of the principal risks of the business.

Risks rated as "high" using SaskGaming's risk tolerance levels are deemed corporate-wide risks. SaskGaming's corporate-wide risks, as well as the mitigation activities that are in place to address these risks, are discussed below.

1. **Gaming Governance** – Fragmented gaming environment in Saskatchewan does not allow SaskGaming to take advantage of advancements in the gaming industry resulting in declining revenues, decreasing relevance and limited game options for players. This includes political - shareholder direction and/or policy actions or inactions result in inability to maximize revenues, reduce costs or cause increased costs.

   Mitigation Activities – SaskGaming will continue to work cooperatively with all Saskatchewan gaming stakeholders toward a new gaming governance model for Saskatchewan that eliminates overlap for regulatory, operations and conduct and management responsibilities. The Saskatchewan Liquor and Gaming Authority (SLGA) is the lead on the gaming governance file. SLGA continues to gather research and review options for changes to gaming governance in Saskatchewan.



2. **Business Interruption** – SaskGaming is unable to provide services due to a business interruption (situations including: accidents, work stoppages, sabotage, weather, technology failure) resulting in loss of revenue, dissatisfied guests, etc.

   Mitigation Activities – SaskGaming has documented and tested business continuity plans (BCP). Business impact assessments have been performed to analyze all critical business processes from a recovery/restoration perspective. This process is revisited annually. SaskGaming has departmental action plans and checklists to operationalize BCP within the different functional areas of the casino. A crisis communication plan has been created to aid in the communication efforts to staff and guests in the event of a business interruption. Annual fire drills are conducted at both Casinos Regina and Moose Jaw.

3. **IT Infrastructure** – Lack of information technology infrastructure results in inability to efficiently and effectively support the corporation's business and information systems requirements.

   Mitigation Activities – SaskGaming continually enhances existing IT governance and operations processes to a "managed state." Partial redundancy has been built into SaskGaming's infrastructure for hardware components, network components, and data center. A Disaster Recovery Plan (DRP) has been formally documented which includes data backups, UPS and generator power, fire and smoke detection, two stage fire suppression, hardware vendor support and warranty, redundant hardware components, emergency master power shutdown switches, physical and technical security controls. Networking best practices have been implemented to ensure no single points of failure exist within our local area networks.

4. **Communication** – Ineffective, inaccurate, inconsistent or not timely internal and external communications resulting in reputational damage, loss of employee, shareholder and public confidence.

   Mitigation Activities – The Communications and Corporate Relations department actively monitors gaming industry matters and issues enhancing the corporation's ability to mitigate and position issues and enhance opportunities. Communications and Corporate Relations supports internal communication efforts through quarterly letters from the President's office, Newsflash, Coaches' Notes, posters, "Cool Signs" and memos to management. Recent enhancements to internal communications include improved bulletin board presentation.

5. **Aboriginal Recruitment** – Not attracting and retaining Aboriginal employees results in the inability to achieve aboriginal targets.

   Mitigation Activities – SaskGaming considers representative workforce when filling vacancies. SaskGaming has hired recruitment specialists and partners with community organizations at career fairs in aboriginal communities. SaskGaming has created the Aboriginal Employee Network to promote Aboriginal culture, traditions and awareness. A balanced scorecard measure has been developed to monitor Aboriginal representation within our workforce, as well as our sponsorship of the Aboriginal community.

6. **Regulatory** – Failure to comply with existing regulations results in sanctions and adverse publicity that can damage the Corporation's reputation and financial well-being. This includes money laundering, failure to develop and maintain an effective compliance regime resulting in regulatory sanctions, fines and penalties, loss of shareholder confidence and reputational damage.

   Mitigation Activities – SaskGaming has implemented a Proceeds of Crime Money Laundering and Terrorist Financing Act (PCMLTFA) compliance regime to address historical deficiencies cited by FINTRAC. The role of Compliance Officer has been elevated to the VP of Corporate Risk and Compliance, and a committee of Directors has been formed to assist and advise the Compliance Officer on all matters related to PCMLTFA compliance. An updated Anti Money Laundering/ Counter Terrorist Financing (AML/CTF) Risk Assessment commensurate with PCMLTFA standards has been completed and subjected to external review. The corporation's AML/CTF employee training program has been redeveloped and employees are required to undergo AML/CTF training. SaskGaming's Internal Audit division conducts yearly FINTRAC compliance audits. SaskGaming provides monthly reports on gaming activity to SLGA and holds regular meetings to discuss areas of concern or new initiatives. SLGA regularly audits the corporation's FINTRAC submissions to ensure reporting and record keeping compliance. SaskGaming Executive Committee has approved the purchase of a FINTRAC reporting software application designed to integrate with existing incident tracking systems in use at Casinos Regina and Moose Jaw. Casino management information systems have been upgraded to newer versions which offer increased functionality that will address FINTRAC compliance issues.

7. **Skill and Competency Gap** – Lack of or ineffective training programs results in employees who do not have the required skills to meet business objectives.

   Mitigation Activities – SaskGaming has developed a corporate learning system that includes departmental and individual learning plans linked to job duties to fill identified gaps. SaskGaming's performance management program aids in the identification of employee training needs.

8. **Safe Environment** – Guest or employee harm caused by an unsafe environment results in loss of guest confidence, crime, reputational damage, increased costs, lost productivity, liability and other related penalties.

   Mitigation Activities – SaskGaming approved an Occupational Health and Safety policy and implemented a formalized return to work program and completed a hazard analysis on all positions. SaskGaming is committed to minimize and prevent work related accidents and injuries and encourage education and awareness of employees and others about safety matters. Safety incident reporting system enables the collection, follow-up and reporting of safety incidents. Corporate Risk and Compliance partnered with Human Resources to develop in-house first aid instructors and First Aid and CPR is offered to all staff at both casinos. A Crime Prevention through Environmental Design analysis was completed by Moose Jaw City Police. Parking lot sweeps and patrol of casino properties are ongoing activities at Casinos Regina and Moose Jaw. A "safe ride home" program is in place for employees. A balanced scorecard measure has been developed to actively monitor our guests' opinion about safety at our casinos.

9. **Illegal Acts** – Employees, customers or third parties individually or in collusion commit fraud or illegal acts against the corporation (can include theft, armed robberies, bomb threats and schemes to criminally manipulate or cheat at games) results in financial losses, adverse publicity and erosion of public confidence in the integrity of the corporation.

   Mitigation Activities – SaskGaming's Surveillance Department has audit programs in place to ensure game integrity and compliance with casino regulations. Game protection training is ongoing to detect and deter fraud, collusion and cheating at play. SaskGaming has implemented a compliance regime whose responsibilities are to manage the corporation's compliance with the PCMLTFA. Employees are required to annually sign-off on the "Code of Conduct" policy. Furthermore, an "Integrity Matters" ethics hotline and program and a Public Interest Disclosure Act program have been established to disclose wrongdoings within SaskGaming. SaskGaming is actively involved with, and shares information with, other jurisdictions on potential criminal activities.

10. **Guest Experience** – Guest experience (including product offerings, facilities and the service provided by staff) do not consistently meet or exceed guest expectations resulting in a loss of business, declining revenues and loss of market share.

    Mitigation Activities – SaskGaming's customer service training and mystery shopper program (both of which are balanced scorecard measures for the corporation) are continually modified to reflect new service standards. SaskGaming guest service strategy is developed in conjunction with the Marketing department, which utilizes market research and focus groups to evaluate the effectiveness.

11. **Corporate Reputation** - Failure to build and maintain a positive reputation with community and stakeholders results in the erosion of stakeholder confidence.

    Mitigation Activities – SaskGaming builds on our corporate social responsibility reputation through awareness of our responsible gaming programs, through sponsorship activity within our communities, and building awareness of SaskGaming's socially responsible employment practices. Policies and procedures are in place for approval, tracking, recording and reporting on sponsorship, execution of speaking notes and media releases. A balanced scorecard measure has been developed to actively monitor our public's opinion of our community support.

12. **Responsible Gaming** - Responsible Gaming is a risk to which guests may not have the ability to effectively manage their gaming activity to an appropriate degree. Failure to develop and maintain an effective responsible gaming strategy may result in regulatory sanctions, litigation, harm to guests and reputational damage.

    Mitigation Activities – SaskGaming mitigates this risk through our responsible gaming program consisting of fully staffed responsible gaming centers at both Casino Regina and Moose Jaw. SaskGaming is actively involved in the provincial and national responsible gaming programs and is following industry best practices with responsible gaming accreditation. There is a responsible marketing strategy in place for high risk players in addition to a process that requires regular interaction with players considered "high risk". Notifications are managed and interactions are targeted to players of greatest risk including a minimum of one interaction per quarter with all VIP players and one interaction per year with 19 – 25 year olds. SaskGaming has implemented the iCare System (IGAP) enabling the responsible gaming staff to track interactions and make recommendations to players of high risk. SaskGaming also has a balance scorecard measure tracking guest awareness of responsible gaming.

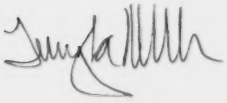
Management's Report on Financial Statements

The accompanying financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial information included elsewhere in this annual report is consistent with that in the financial statements. Management is responsible for the integrity, objectivity and reliability of the financial statements.

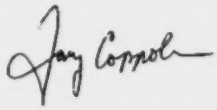
The financial statements for the year ended December 31, 2011 have been approved by the Saskatchewan Gaming Corporation's Board of Directors.

Management of the corporation has established (and maintains) a system of internal controls, providing assurance that transactions are recorded and executed in compliance with legislation and authority, assets are safeguarded, there is an effective segregation of duties and responsibilities, and reliable records are maintained. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit & Finance Committee of the Board.

The Corporation's independent auditors, KPMG LLP, on behalf of management have examined the Corporation's financial statements as at December 31, 2011. The auditor's report, which follows, outlines the scope of their examination and sets forth their opinion.



Twyla Meredith
President and CEO



Tony Coppola
Senior Vice President Finance & Administration

March 2, 2012

Management's Report on Internal Control over Financial Reporting

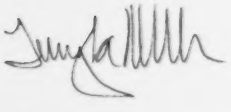
I, Twyla Meredith, the President & CEO of the Saskatchewan Gaming Corporation, and I, Tony Coppola, the Senior Vice President Finance & Administration of the Saskatchewan Gaming Corporation, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Gaming Corporation (SaskGaming). Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2011.

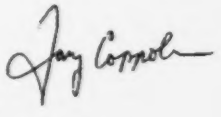
b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskGaming do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskGaming is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskGaming has designed internal controls over financial reporting that are appropriate to the circumstances of SaskGaming.

d. That SaskGaming conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskGaming can provide reasonable assurance that internal controls over financial reporting as of December 31, 2011 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Twyla Meredith
President and CEO



Tony Coppola
Senior Vice President Finance & Administration

March 2, 2012

Independent Auditor's Report

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Gaming Corporation, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Gaming Corporation as at as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 2, 2012
Regina, Canada

Saskatchewan Gaming Corporation
Consolidated Statement of Financial Position

As at: (in 000s)	Dec 31 2011	Dec 31 2010	Jan 1 2010
ASSETS			
Current assets:			
Cash	$ 13,221	$ 9,993	$ 14,482
Accounts receivable	290	309	345
Inventory	300	314	357
Prepaid expenses	435	414	433
	14,246	11,030	15,617
Property, plant and equipment (Note 4)	68,754	71,965	74,092
	$ 83,000	$ 82,995	$ 89,709
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	$ 9,777	$ 8,798	$ 9,123
Payable to the General Revenue Fund (Note 5)	6,146	5,086	5,564
Dividend payable	5,366	2,825	5,818
Current portion of long-term debt (Note 6)	1,300	2,616	5,490
Current portion of finance lease obligation (Note 7)	918	900	900
	23,507	20,225	26,895
Long-term debt (Note 6)	12,107	13,407	16,023
Finance lease obligation (Note 7)	6,510	6,661	6,781
	42,124	40,293	49,699
Equity advance (Note 8)	12,805	19,805	19,805
Retained earnings	28,071	22,897	20,205
	40,876	42,702	40,010
	$ 83,000	$ 82,995	$ 89,709

Commitments and contingencies (Note 9)

(See accompanying notes)

On behalf of the Board:

Director

Director

Saskatchewan Gaming Corporation
Consolidated Statement of Comprehensive Income

For the year ended December 31

(in 000s)	2011	2010
Revenue (Note 10)	$ 134,582	$ 126,077
Operating expenses (Note 11)	68,081	66,320
Depreciation	6,905	7,878
Taxes (Note 12)	3,375	3,567
Contractual obligations (Note 9)	3,015	3,015
Finance expense (Note 13)	1,472	1,747
Income before payment to the General Revenue Fund	51,734	43,550
Payment to General Revenue Fund (Note 5)	25,867	21,504
Net Income	25,867	22,046
Other comprehensive income	—	—
Comprehensive income	$ 25,867	$ 22,046

(See accompanying notes)

Saskatchewan Gaming Corporation
Consolidated Statement of Changes in Equity

For the year ended December 31

(in 000s)	2011			2010		
	Retained Earnings	Equity Advance	TOTAL	Retained Earnings	Equity Advance	TOTAL
Balance as at January 1	$ 22,897	$ 19,805	$ 42,702	$ 20,205	$ 19,805	$ 40,010
Comprehensive income	25,867	—	25,867	22,046	—	22,046
Dividends	(20,693)	—	(20,693)	(19,354)	—	(19,354)
Repayment of equity advance	—	(7,000)	(7,000)	—	—	—
Balance as at December 31	$ 28,071	$ 12,805	$ 40,876	$ 22,897	$ 19,805	$ 42,702

(See accompanying notes)

Saskatchewan Gaming Corporation
Consolidated Statement of Cash Flows

For the year ended December 31

(in 000s)	2011	2010
Operating activities:		
Net income	$ 25,867	$ 22,046
Adjustments for:		
Finance expense	1,472	1,747
Depreciation	6,966	7,678
(Gain) loss on sale of property, plant and equipment	(61)	200
Changes in non-cash working capital balances:		
Accounts receivable	19	36
Inventory	14	43
Prepaid expenses	(21)	19
Trade and other payables	979	(239)
Payable to the General Revenue Fund	1,060	(478)
	36,295	31,052
Investing activities:		
Proceeds from sale of property, plant and equipment	203	201
Purchases of property, plant and equipment	(3,897)	(5,952)
	(3,694)	(5,751)
Financing activities:		
Dividends paid	(18,152)	(22,347)
Interest paid	(1,472)	(1,833)
Repayment of equity advance	(7,000)	—
Repayment of finance lease obligation	(133)	(120)
Repayment of long-term debt	(2,616)	(5,490)
	(29,373)	(29,790)
Increase (decrease) in cash	3,228	(4,489)
Cash, beginning of year	9,993	14,482
Cash, end of year	$ 13,221	$ 9,993

(See accompanying notes)

Saskatchewan Gaming Corporation
Notes to the Consolodated Financial Statements

December 31, 2011

1. Description of Business

The Saskatchewan Gaming Corporation (SaskGaming) is a corporation domiciled in Canada. The address of SaskGaming's registered office and principal place of business is 1880 Saskatchewan Drive, Regina, SK, S4P 0B2.

SaskGaming manages and operates Casino Regina and Casino Moose Jaw. SaskGaming was established under *The Saskatchewan Gaming Corporation Act, 1994* (Act) to establish and operate casinos in Saskatchewan; conduct and manage games of chance in casinos; and to establish and operate or to provide for the establishment and operation of any business or activity that it considers reasonably related to operating a casino. SaskGaming must operate in accordance with statutory provisions established under Section 207 of the *Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997*. Regulation of SaskGaming's operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

SaskGaming operates under the direction of its owner, the Crown Investments Corporation of Saskatchewan (CIC). CIC is the provincial government's holding corporation for its commercial Crown corporations. The financial results of SaskGaming are included in the consolidated financial statements of CIC.

2. Basis of Preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. These are SaskGaming's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of SaskGaming is provided in Note 19.

The consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2012.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is SaskGaming's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Useful lives of property, plant and equipment (Note 3(e) and Note 4)
- Customer loyalty program (Note 3(c))

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by SaskGaming and its subsidiary.

a) Basis of consolidation

The consolidated financial statements include the accounts of SaskGaming and its wholly-owned subsidiary, SGC Holdings Inc. which is incorporated under *The Business Corporations Act (Saskatchewan)*. All intercompany transactions and accounts have been eliminated on consolidation.

b) Revenue

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and pay-outs by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots and liabilities under the Players Club Program.

Ancillary revenues include food, beverage, parking and Show Lounge revenue.

Food, beverage and parking revenue is recognized when the good and services are provided. Show Lounge revenue is recognized when the event occurs.

Revenues exclude the retail value of food, beverage and other promotional allowances provided on a complimentary basis to guests. The cost of providing the complimentary items is included in direct operating expenses.

c) Customer Loyalty Program

As part of its customer loyalty initiative, SaskGaming offers a Players Club Program to patrons. Under the program, club members accumulate reward points or dollars based on the amounts wagered and time spent playing on slot machines and tables. Members can redeem their points for cash or vouchers for free or discounted goods or services. SaskGaming records the points earned as a reduction of gaming revenue. A liability is accrued for the estimated cost of the earned points balance at the end of the period under the Player Club Program. If the patron chooses to redeem their points for a voucher for free or discounted goods or services, the revenue is determined by the fair value of the undelivered goods and services related to a customer loyalty program and is deferred until the promotional consideration is provided.

d) Inventory

Inventory is stated at the lower of cost and net realizable value. The cost of inventory is determined using the most recent cost.

e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation ceases to capitalize borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

Assets are depreciated commencing in the year in which they are available for use, using the straight-line method over their useful lives as follows:

Building and renovations, including leased building	5 - 40 years
Furniture and equipment	3 - 5 years

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to SaskGaming. All other leases are classified as operating leases.

Assets held under a finance lease are initially recognised as assets of SaskGaming and are measured at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expense and reduction of the lease obligation so as to achieve a constant rate on the remaining balance of the liability. The interest component is included in finance expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

h) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the consolidated statement of comprehensive income when services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

i) Foreign currency

Transactions in foreign currencies are translated to the functional currency of SaskGaming at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. All gains and losses on translation of these foreign currency transactions are included in income in the current period.

j) Financial Instruments

(i) Non-derivative financial assets and liabilities

SaskGaming classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities. All financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash is classified as fair value through profit or loss and is recorded at fair value. Accounts receivable are classified as loans and receivable. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

SaskGaming has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, payable to the General Revenue Fund, dividend payable and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

SaskGaming derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by SaskGaming is recognized as a separate asset or liability. SaskGaming derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when SaskGaming has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net income.

SaskGaming had no contracts with embedded derivatives as at December 31, 2011. (December 31, 2010 – no embedded derivatives).

k) Impairment

i. Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

ii. Non-financial assets

The carrying amounts of SaskGaming's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Finance income and finance costs

Finance income comprises interest income on bank balances. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

m) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after December 31, 2011. SaskGaming is assessing the impact of these pronouncements on its results and financial position. These include:

IFRS 1 "First-Time Adoption of IFRS" (IFRS 1) was amended to provide guidance for entities emerging from severe hyperinflation as well as to provide relief for first-time adopters of IFRS from having to reconstruct transactions that occurred before their date of transition to IFRS. IFRS 1 is effective for annual periods beginning on or after July 1, 2011.

IFRS 9 "Financial Instruments" (IFRS 9 (2010)) expands on IFRS 9 as issued in 2009. The 2010 version has a significant impact on financial liabilities designated under the fair value option. In addition, IFRS 9 (2010) retains virtually all of the classification and measurement guidance in IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 (2010) is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 "Consolidations" (IFRS 10) establishes a single control model to assess whether to consolidate an investee. The model focuses on exposure or rights to variability in returns versus the previous concept of benefits. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 "Disclosure of Interests in Other Entities" (IFRS 12) combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 "Fair Value Measurement" (IFRS 13) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

4. Property, Plant and Equipment

(in 000s)	Land	Buildings & Renovations	Furniture & Equipment	Finance Lease	TOTAL
Cost					
Balance at Jan 1, 2010	$ 15,154	$ 40,560	$ 28,685	$ 8,743	$ 93,142
Additions	—	1,316	4,636	—	5,952
Disposals	—	—	(3,958)	—	(3,958)
Balance at Dec 31, 2010	$ 15,154	$ 41,876	$ 29,363	$ 8,743	$ 95,136
Balance at Jan 1, 2011	$ 15,154	$ 41,876	$ 29,363	$ 8,743	$ 95,136
Additions	—	—	3,897	—	3,897
Disposals	—	(152)	(2,492)	—	(2,644)
Balance at Dec 31, 2011	$ 15,154	$ 41,724	$ 30,768	$ 8,743	$ 96,389
Depreciation					
Balance at Jan 1, 2010	$ —	$ —	$ 19,050	$ —	$ 19,050
Depreciation for the year	—	2,728	4,461	489	7,678
Disposals	—	—	(3,557)	—	(3,557)
Balance at Dec 31, 2010	$ —	$ 2,728	$ 19,954	$ 489	$ 23,171
Balance at Jan 1, 2011	$ —	$ 2,728	$ 19,954	$ 489	$ 23,171
Depreciation for the year	—	3,002	3,475	489	6,966
Disposals	—	(48)	(2,454)	—	(2,502)
Balance at Dec 31, 2011	$ —	$ 5,682	$ 20,975	$ 978	$ 27,635
Carrying Amounts					
At Jan 1, 2010	$ 15,154	$ 40,560	$ 9,635	$ 8,743	$ 74,092
At Dec 31, 2010	$ 15,154	$ 39,148	$ 9,409	$ 8,254	$ 71,965
At Dec 31, 2011	$ 15,154	$ 36,042	$ 9,793	$ 7,765	$ 68,754

SaskGaming leases building and land under a finance lease agreement. At December 31, 2011, the net carrying amount of leased building was $6,589,000 (December 31, 2010 - $7,078,000) and the leased land was $1,176,000 (December 31, 2010 – $1,176,000).

5. Payment to the General Revenue Fund

SaskGaming pays monies to the General Revenue Fund to the extent required to meet the Government's obligations under the *The Saskatchewan Gaming Corporation Act, 1994* to the First Nations Trust, the Community Initiatives Fund, and the Métis Development Fund.

6. Long-Term Debt

(in 000s)	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Debt from the General Revenue Fund, bearing interest at 2.85% per annum, due December 1, 2014. Interest is paid semi-annually	$ 6,000	$ 6,000	$ 6,000
Building loan, repayable in monthly instalments of $76,572 including interest at 6.48%, due December 1, 2016	3,915	4,558	5,160
Building loan, repayable in monthly instalments of $67,790 including interest at 6.17%, due December 1, 2016	3,492	4,071	4,614
Land and building loan, repayable in monthly instalments of $256,715 including interest at 9.2%, due April 1, 2011	—	1,007	3,852
Equipment loan, repayable in monthly instalments of $129,529 including interest at 4.527%, due March 28, 2011	—	387	1,887
	13,407	16,023	21,513
Current portion	(1,300)	(2,616)	(5,490)
	$ 12,107	$ 13,407	$ 16,023

The above loans, excluding the debt from the General Revenue Fund, are secured by assets and a general security agreement and may only be repaid early with a penalty.

Principal repayments required in the next five years are as follows:

(in 000s)	
2012	$ 1,300
2013	1,385
2014	7,476
2015	1,572
2016	1,674
2017 and subsequent	—
	$ 13,407

7. Finance Lease Obligation

Beginning in September 2002, SaskGaming leased the Casino Moose Jaw property for 25 years at an annual cost of $900,000 for the first ten years, and $955,000 annually thereafter. At the end of the lease, SaskGaming will acquire the property for the sum of one dollar.

(in 000s)	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Total future minimum lease payments	$ 14,925	$ 15,825	$ 16,726
Less: future finance charges on finance lease	(7,497)	(8,264)	(9,045)
Present value of finance lease obligation	7,428	7,561	7,681
Less: current portion of finance lease obligation	(918)	(900)	(900)
Finance lease obligation	$ 6,510	$ 6,661	$ 6,781

As at December 31, 2011, scheduled future minimum lease payments and the present value of finance lease obligation is as follows:

(in 000s)	1 Year	1-5 Years	More than 5 Years
Future minimum lease payments	$ 918	$ 3,820	$ 10,187
Present value of finance lease obligation	166	1,050	6,212

Fair value of the finance lease obligation is $9,198,000 (2010 - $8,714,000).

8. Equity Advance

As a Saskatchewan Provincial Crown Corporation, SaskGaming's equity financing is in the form of equity advances of $12,805,000 (2010 - $19,805,000) from CIC.

9. Commitments and Contingencies

a) Agreement with Regina Exhibition Association (Association)

On April 1, 1997, SaskGaming entered into an agreement with the Association to fulfil previous commitments made to the Association regarding the maintenance of a certain level of its income.

The Association terminated the agreement effective November 23, 1997. Under the termination provisions of the agreement, SaskGaming agreed to pay the Association monthly payments of $235,417 for the first year following termination of the agreement and, subject to certain conditions, monthly payments of $216,667 until 2027.

b) Agreement with Moose Jaw Exhibition Company Ltd. (MJEX)

On July 31, 2001, SaskGaming entered into an agreement with MJEX regarding the maintenance of a certain level of income upon the opening of Casino Moose Jaw.

Under this agreement, SaskGaming agreed to pay MJEX $34,583 monthly, subject to certain conditions, starting in 2003 and continuing until 2028.

c) Litigation and claims

SaskGaming is involved in litigation and claims that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material impact on the consolidated financial position or the consolidated results of operations of SaskGaming.

10. Revenue

(in 000s)	2011	2010
Gaming revenue	$ 123,763	$ 116,240
Ancillary revenue	10,486	9,604
Other	333	233
	$134,582	$126,077

Ancillary revenues include revenue from food and beverage, parking, Show Lounge, and other non-gaming related activities.

11. Operating Expenses

(in 000s)	2011	2010
Salaries and employee benefits	$ 40,340	$ 37,695
Employee future benefits	1,888	1,752
Maintenance and supplies	5,950	6,011
Advertising, promotions and sponsorships	4,948	5,122
Food and beverage cost of goods sold	3,173	2,957
Lease and rental	2,265	2,756
Professional services	2,170	1,689
Other direct operating	7,347	8,338
	$ 68,081	$ 66,320

12. Taxes

SaskGaming is on the prescribed list of lottery corporations pursuant to Section 188 of *The Excise Tax Act*. In lieu of collecting Goods and Services Tax (GST) on revenue at the retail level, SaskGaming calculates and remits GST according to a formula prescribed by the Canada Revenue Agency (CRA). The formula requires SaskGaming to pay 10 per cent on the purchase of goods and services related to gaming activities.

GST and provincial sales tax on leased equipment is expensed over the term of the lease. Also included in taxes are grants in lieu of property tax.

As a provincial Crown corporation, SaskGaming is not subject to federal or provincial income or capital taxes.

13. Finance Expense

(in 000s)	2011	2010
Interest on long term debt	$ 705	$ 967
Interest on finance lease obligation	767	780
	$ 1,472	$ 1,747

14. Pension Plan

Substantially all of SaskGaming's permanent employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan administered by the Plan's Board of Directors. The Plan sponsor is CIC. The Capital Pension Plan is registered under *The Income Tax Act (Canada)* and is governed by the Superintendent of Pensions (Saskatchewan) in accordance with *The Pension Benefits Act (1992)*. SaskGaming's financial obligation is limited to making the employer's required contributions for current service. During the period, SaskGaming expensed $1,888,000 (December 31, 2010 - $1,752,000) for the employer's required contributions.

15. Bank Indebtedness

SaskGaming has established a line of credit of $3 million with its financial institution. The line of credit is unsecured. Interest is charged on the line of credit at the bank's prime rate.

SaskGaming did not have any amount owing on the line of credit at December 31, 2011 (December 31, 2010 - nil).

16. Capital Management

SaskGaming's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of SaskGaming, and to ensure adequate returns to the shareholder.

SaskGaming funds its capital requirements through internal operating activities and debt. By Order-in-Council, SaskGaming may only borrow up to $56.2 million, which includes finance leases and temporary loans. SaskGaming also has an available line of credit of $3 million at a financial institution.

SaskGaming monitors capital on the basis of the debt to equity ratio. The ratio is calculated as total debt divided by total capital. Total debt includes long and short term debt and finance lease obligation. Capital includes total debt, equity advance and retained earnings at the period end.

For fiscal 2011, SaskGaming's goal is a debt to equity ratio of less than 50%.

The debt ratio is as follows:

(in 000s)	2011	2010
Long term debt	$ 13,407	$ 16,023
Finance lease obligation	7,428	7,561
Total debt	20,835	23,584
Equity advance from CIC	12,805	19,805
Retained earnings	28,071	22,897
Total capital	$ 61,711	$ 66,286
Debt ratio	33.8%	35.6%

17. Financial Risk Management

SaskGaming has exposure to the following risks from its use of financial instruments: market risk (foreign currency and interest rate risk), credit risk and liquidity risk.

a) Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of SaskGaming's risk management framework and is responsible for developing and monitoring SaskGaming's risk management policies.

SaskGaming's risk management policies are established to identify and analyze the risks faced by SaskGaming, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and SaskGaming's activities.

SaskGaming's Board of Directors oversees how management monitors compliance with SaskGaming's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by SaskGaming. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

b) Fair Value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in Level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

The fair values of long term debt and finance lease obligation are estimated by discounting the expected future cash flows using the interest rate of a Government of Canada bond with similar terms, adjusted for an appropriate risk premium.

The following table presents the carrying amount and fair value of SaskGaming's financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

(in 000s)			2011		2010	
Financial Instruments	**Classification[1]**	**Fair Value Hierarchy**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash	FVTPL	Level One	$ 13,221	$13,221	$ 9,993	$ 9,993
Accounts receivable	L&R	N/A	290	290	309	309
Trade and other payables	OFL	N/A	9,777	9,777	8,798	8,798
Payable to the General Revenue Fund	OFL	N/A	6,146	6,146	5,086	5,086
Dividend payable	OFL	N/A	5,366	5,366	2,825	2,825
Long-term debt	OFL	Level Two	13,407	14,471	16,023	16,916

[1] Classification:
FVTPL – Fair value through profit and loss, L&R - Loans and receivables, OFL - Other financial liabilities

c) Foreign Exchange Risk

SaskGaming faces exposure to the U.S./Canadian dollar exchange rate through the purchase of goods and services payable in U.S. dollars. The risk is not considered significant.

d) Interest Rate Risk

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. SaskGaming may be exposed to interest rate risk on future borrowings, however this risk is not considered significant. SaskGaming has not provided a sensitivity analysis of the impact of interest rate changes on net income as all of SaskGaming's debt is at fixed interest rates.

e) Credit Risk

SaskGaming does not extend credit to its gaming customers. Credit risk is limited to its accounts receivable balance which consists primarily of credit extended to business entities for business functions held at the Show Lounge. Credit risk is not considered significant.

f) Liquidity Risk

Liquidity risk is the risk that SaskGaming is unable to meet its financial commitments as they become due or can only do so at excessive cost. SaskGaming manages its cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of SaskGaming's financial liabilities.

At December 31, 2011
(in 000s)

			Contractual cash flows				
Financial Liabilities	**Carrying Amount**	**Total**	**0-6 Months**	**7 – 12 Months**	**1 – 2 Years**	**3 -5 Years**	**More than 5 Years**
Trade and other payables	$ 9,777	$ 9,777	$ 9,777	$ —	$ —	$ —	$ —
Payable to GRF	6,146	6,146	6,146	—	—	—	—
Dividend payable	5,366	5,366	5,366	—	—	—	—
Debt	13,407	15,175	952	952	1,903	11,368	—
Finance lease obligation	7,428	14,925	450	468	955	2,865	10,187
	$ 42,124	$ 51,389	$ 22,691	$ 1,420	$ 2,858	$ 14,233	$ 10,187

At December 31, 2010
(in 000s)

			Contractual cash flows				
Financial Liabilities	**Carrying Amount**	**Total**	**0-6 Months**	**7 – 12 Months**	**1 – 2 Years**	**3 -5 Years**	**More than 5 Years**
Trade and other payables	$ 8,798	$ 8,798	$ 8,798	$ —	$ —	$ —	$ —
Payable to GRF	5,086	5,086	5,086	—	—	—	—
Dividend payable	2,825	2,825	2,825	—	—	—	—
Debt	16,023	18,495	2,369	952	1,903	11,539	1,732
Finance lease obligation	7,561	15,825	450	450	918	2,865	11,142
	$ 40,293	$ 51,029	$ 19,528	$ 1,402	$ 2,821	$ 14,404	$ 12,874

Management believes its ability to generate funds will be adequate to support these financial liabilities.

18. Related Party Transactions

The Corporation is indirectly controlled by the Government of Saskatchewan through its ownership of the Corporation's parent, Crown Investments Corporation of Saskatchewan. Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "government-related entities"). The Corporation has elected to take a partial exemption under IAS 24 Related Party Disclosures which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. For the year ended December 31, 2011, the aggregate amount of SaskGaming's transactions with other government-related entities is approximately 5.8% of direct operating expenses. (December 31, 2010 – 5.7%).

In addition, SaskGaming pays provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. SaskGaming also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance.

Other amounts and transactions due to and from related parties are described separately in these consolidated financial statements and the notes thereto.

Key Management Personnel Compensation

In addition to salaries, SaskGaming provides non-cash benefits to key management personnel, defined as the President, Vice-Presidents and Board members of SaskGaming. Key management personnel compensation is comprised of:

(in 000s)	2011	2010
Short term employee benefits	$ 1,419	$ 1,327
Post-employment benefits (defined contribution pension plan)	66	63
	$ 1,485	$ 1,390

19. Transition to IFRS

SaskGaming's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these consolidated financial statements were prepared as described in Note 2, including the application of IFRS1.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (SaskGaming's date of transition).

In preparing its opening IFRS statement of financial position, SaskGaming has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles. Explanations of how the transition from Canadian Generally Accepted Accounting Principles to IFRSs has affected SaskGaming's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables, for significant transition adjustments.

Reconciliation of Equity
(in 000s)
As at

	Note	December 31, 2010 GAAP	December 31, 2010 IFRS Adjustments	December 31, 2010 IFRS	January 1, 2010 GAAP	January 1, 2010 IFRS Adjustments	January 1, 2010 IFRS
ASSETS							
Current:							
Cash		$ 9,993	$ —	$ 9,993	$ 14,482	$ —	$ 14,482
Accounts Receivable		309	—	309	345	—	345
Inventory		314	—	314	357	—	357
Prepaid expenses		414	—	414	433	—	433
		11,030	—	11,030	15,617	—	15,617
Property, plant and equipment	a	60,125	11,840	71,965	62,794	11,298	74,092
		$ 71,155	$ 11,840	$ 82,995	$ 78,411	$ 11,298	$ 89,709
LIABILITIES and EQUITY							
Current:							
Trade and other payables		$ 8,798	$ —	$ 8,798	$ 9,123	$ —	$ 9,123
Payable to GRF		5,086	—	5,086	5,564	—	5,564
Dividend payable		2,825	—	2,825	5,818	—	5,818
Current portion of long-term debt		2,616	—	2,616	5,490	—	5,490
Current portion of finance lease obligation		900	—	900	900	—	900
		20,225	—	20,225	26,895	—	26,895
Long-term debt		13,407	—	13,407	16,023	—	16,023
Finance lease obligation		6,661	—	6,661	6,781	—	6,781
		40,293	—	40,293	49,699	—	49,699
Equity advance		19,805	—	19,805	19,805	—	19,805
Retained earnings	a	11,057	11,840	22,897	8,907	11,298	20,205
		30,862	11,840	42,702	28,712	11,298	48,917
		$ 71,155	$ 11,840	$ 82,995	$ 78,411	$ 11,298	$ 89,709

Reconciliation of comprehensive income for the year ended December 31, 2010 (in 000s)

	Note	GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS
Revenue	b	$137,396	$ (10,337)	$ (982)	$126,077
Ancillary cost of goods sold		2,957	—	(2,957)	—
Promotional allowances	b	10,337	(10,337)	—	—
Operating expenses		64,345	—	1,975	66,320
Depreciation	a	8,420	(542)	—	7,878
Taxes		3,567	—	—	3,567
Contractual obligations		3,015	—	—	3,015
Finance expense		1,747	—	—	1,747
Income before payment to the General Revenue Fund		43,008	542	—	43,550
Payment to the General Revenue Fund		21,504	—	—	21,504
Net income		21,504	542	—	22,046
Other comprehensive income		—	—	—	—
Comprehensive income		$ 21,504	$ 542	$ —	$ 22,046

Explanation of transition to IFRS

a) Property, plant and equipment

IFRS 1 provides the option to measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date. SaskGaming has elected to measure its buildings and land at fair value on the date of transition. Under Canadian Generally Accepted Accounting Principles, these properties were measured on the cost basis. This election resulted in an increase to the cost of the property, plant and equipment of $11,298,000 as at January 1, 2010. In addition, at the time of transition, the asset components and corresponding useful lives of the components were reviewed and adjusted. As a result, depreciation expense has decreased $542,000 for the year ending December 31, 2010.

b) Revenue

Under Canadian Generally Accepted Accounting Principles, the retail value of goods and services provided to guests without charge was included in revenue and then deducted as promotional allowances. Under IFRS, revenue is reported net of promotional allowances. There is no impact to net income.

In addition, internal food and beverage charges have been removed from revenues and expenses. Revenues and direct operating expenses have decreased by $982,000 for the year ending December 31, 2010. There was no impact to net income.

c) Material adjustments to the Statement of Cash Flows for the year ended December 31, 2010

Interest paid has moved into a separate line item in the financing activities section of the consolidated statement of cash flows, whereas they were previously disclosed as part of the net income in the operating activities section. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under Canadian Generally Accepted Accounting Principles

Governance

The Saskatchewan Gaming Corporation was established by The *Saskatchewan Gaming Corporation Act (1994)* with the mandate to establish and operate casinos in Saskatchewan. While originally a Treasury Board Crown, effective April 1, 2008, SaskGaming came under the direction of the Crown Investments Corporation of Saskatchewan (CIC).

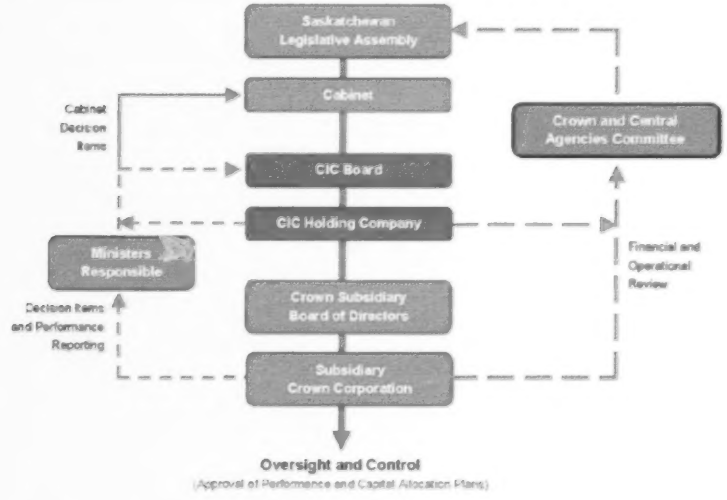
CIC is a holding company for Saskatchewan's commercial Crown corporations. CIC's main responsibilities are to establish the strategic direction for the subsidiary crowns through effective governance and performance management, and to enhance the province's long-term economic growth and diversification through Crown corporations.

SaskGaming is required to make payments to the province's General Revenue Fund sufficient to meet the government's legislated obligations to the First Nations Trust, the Community Initiatives Fund and the Métis Development Fund. SaskGaming also pays dividends to CIC.

SaskGaming operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. Day-to-day operating practices at the casinos are governed by provincial regulations. SaskGaming also operates in accordance with statutory provisions under the *Criminal Code of Canada and The Alcohol and Gaming Regulations Act, 1997*.

Shareholder Direction and Communication

The following figure illustrates the accountability structure for Crown Corporations.



Role of the Board of Directors

SaskGaming is responsible to the Government of Saskatchewan through a Minister and a Board of Directors appointed by Cabinet.

The Board of Directors functions as a steward of the Corporation, and has a statutory authority and an obligation to manage the affairs and the business of the Corporation. In satisfaction of this obligation, the Board provides oversight while delegating to Management the responsibility for the day-to-day operations of the Corporation. The fundamental objective of the Board is to act in the best interests of the Corporation, taking into account the public policy and business objectives of the Corporation, with a view to enhancing shareholder value.

Compensation Practices

Compensation rates for Directors are set by the Board of Directors of the Crown Investments Corporation of Saskatchewan. Directors may receive per diems or partial per diems when they are engaged in work for the Corporation consisting of the performance of any duties on behalf of the Corporation or as a member of a Committee of the Board, in addition to those provided for attendance at meetings of the Board and its Committees.

The CIC Board sets compensation rates according to the level of responsibility of the Board. The maximum per diem for members of the SaskGaming Board of Directors is $600 for the Chair and $500 per Director. Board expenses for the year ending December 31, 2011 totaled $160,553.

Code of Conduct

Members of the SaskGaming Board of Directors are governed by the CIC *Code of Conduct* for Directors of subsidiary Crown corporations. The CIC *Code* assists the boards of subsidiary crowns to more effectively fulfill their statutory and fiduciary obligations, and maintain a reputation for the highest standards of public trust and confidence in serving the interests of all stakeholders. The Governance and Human Resources Committee serves as Ethics Advisor to the Board, administers and enforces the CIC *Code* and reports annually to the Board on compliance with the *Code*.

Board Composition

The composition of the Board of Directors is set out in SaskGaming's governing legislation. The Board consists of not more than seven members, who are appointed by the Lt. Governor in Council. Three members of the SaskGaming Board are nominated by Federation of Saskatchewan Indian Nations and all Directors serve for no more than three years. Cabinet may fill any vacancy that occurs on the Board.

Committees

The Board has the authority to appoint any committees that it considers necessary for conducting the business of the Corporation. The Board has developed Terms of Reference prescribing the scope, duties and responsibilities of the committees it has appointed to assist it in fulfilling its obligations.

Audit and Finance Committee

The mandate of the Audit and Finance Committee is to assist the Board in meeting its responsibilities by ensuring the adequacy and effectiveness of the Corporation's financial reporting, internal controls, management information systems and risk management. The Audit and Finance Committee is directly responsible for the internal audit function, approving the internal audit charter, plan and resources and reviewing audit results. The Committee has responsibility to:

- Oversee the work of the Internal Auditor and External Auditor
- Approve the Internal Auditor's annual audit plan, including any significant mid-year changes to the plan
- Resolve any disagreements regarding accounting, internal controls or auditing matters
- Retain independent counsel, accountants or others to advise the Committee as required, or to assist in conducting an investigation
- Seek any information it requires from external parties or employees to conduct an investigation

The Audit and Finance Committee has the authority to authorize investigations into any matter referred to it by the Board, or any other matter within the Committee's scope of responsibilities. The Committee meets in-camera with the Corporation's Director of Internal Audit, as necessary, to better understand the information presented by Internal Audit, or any other relevant issues. The Committee also meets regularly with the appointed External Auditor.

The Committee met four times in 2011.

Members: Blair Ross (chair), Ron Martin, Kevin Missens, Bonnie Wallin, Wes Becker (Ex-Officio)

Governance and Human Resources Committee

In 2011, the Governance and Human Resources and Compensation committees were merged into one Governance and Human Resources Committee.

The Governance and Human Resources Committee serves an advisory body to the Board, providing leadership to the Board in relation to governance processes, policies and principles of the Corporation, and assisting the Board in nominating potential candidates for positions on the Board. The Committee oversees SaskGaming's overall employment environment and is responsible for the Corporation's policies for human resource management, compensation and succession planning. The Committee also annually reviews the Corporation's diversity initiatives and monitors the Employee Code of Conduct Policy and other workplace policies.

The Committee also develops and reviews the effectiveness of the Corporation's corporate governance practices and annually reviews the Terms of Reference of the Board and its three committees. It serves as Ethics Advisor to the Board, administering and enforcing the CIC Directors' Code of Conduct and reporting annually to the Board on compliance with the Code.

In 2011, the Governance Committee held one meeting, the Human Resources and Compensation Committee held one meeting, and the combined committee held three meetings.

Members: Ron Bruck (Chair), Ron Martin (Vice-Chair), Kevin Missens, Bonnie Wallin and Wes Becker (Ex-Officio).

Board of Directors

Wes Becker, Chair, of Regina, Saskatchewan retired from a career with CIBC having held various management positions, primarily within the Bank's Commercial Banking division. Prior to retirement Mr. Becker acted as the Program Director for the Agricultural Value-Added Loan Program, a partnership between CIBC, FCC and Western Economic Diversification. A fellow of the Institute of Canadian Bankers Professional Banking Program, Mr. Becker has served as Chair of Saskatchewan Gaming Corporation since April 1, 2008.

Blair Ross, Vice Chair (Chair, Audit & Finance Committee) of Regina, Saskatchewan is co-founder of SRG Security Resource Group Inc. a Saskatchewan based Security firm providing Investigation, Security Patrol, 24 CCTV real-time monitoring and Information Technology Security services across Western Canada. He has over 22 years of experience in business with the majority of his experience gained in the private security industry. In those 22 years he has built and managed security operations from the ground up. He has managed the security personnel at large scale events (i.e. the Pan American Games in Winnipeg) across Western Canada. A recipient of a Honourary Lifetime Big Brother award for his volunteer commitment, he also has co-chaired the CTV Sandra Schmirler Charity Golf Classic.

Ron Bruck (Chair, Human Resources/Compensation Committee) of Moose Jaw, Saskatchewan served with the Royal Canadian Mounted Police throughout Saskatchewan, including eight years as Sergeant and Detachment Commander in Moose Jaw, before retiring in 2006. Mr. Bruck was awarded the RCMP's 35-year Long Service Medal Gold Clasp, the Commanding Officer's Commendation, Queen's Golden Jubilee Medal and the Saskatchewan Protective Services Medal. His past and present volunteer activities include Boy Scouts Canada, the Saskatchewan Minor Hockey Association, Royal Canadian Legion, Rural Crime Watch, Neighbourhood Watch, Moose Jaw Regional Inter-Sectoral Committee and Victim Services Board of Directors.

Lindsey Kequahtooway (Kaye) of Grenfell, Saskatchewan served as Chief of the Sakimay First Nation for eight years, and in September 2011 was elected as council member for Sakimay First Nation for a two year term. Mr. Kequahtooway studied Social Work at the Saskatchewan Indian Federated College (now the First Nations University of Canada) and worked for Yorkton Tribal Council Child Services for six years before moving to the Department of Community Resources and Employment in Regina. Mr. Kequahtooway has served for three years on the Prairie Valley School Division Board of Directors. In November 2011, he was awarded the Lifetime Achievement Award at the Women of the Dawn First Nation Awards.

Board photo (left to right):
Wendy Dean (Corporate Secretary), Lindsey Kequahtooway, Blair Ross (Vice Chair), Kevin Missens, Wes Becker (Chair), Ron Bruck, Dr. Ron Martin, Bonnie Wallin

Dr. Ron Martin of Fort Qu'Appelle, Saskatchewan is a member of the Fond-du-Lac First Nation. Dr. Martin graduated with a dental degree and Advanced Bachelor of Arts and Science degrees in Sociology and Anatomy from the University of Saskatchewan, Dr. Martin established Dene Dent Family Dentistry in Fort Qu'Appelle in 1995. Dr. Martin is a member of the College of Dental Surgeons of Saskatchewan. He has previously volunteered with the Environmental Assessment Review Panel; National Aboriginal Achievement Awards; Health Canada Quality Assessment Committee; the Fort Qu'Appelle Minor Hockey Association; and the Assembly of First Nations.

Kevin Missens of Fort Qu'Appelle, Saskatchewan was a serving member of the Royal Canadian Mounted Police from 1983 to 1992. Mr. Missens joined the Touchwood File Hills Qu'Appelle Tribal Council (now the File Hills Qu'Appelle Tribal Council) as a court worker in 1995 and spent time as a community justice worker. He has served as chair of the Qu'Appelle Policing Agreement, chair of Qu'Appelle Child and Family Services Inc., and has been involved with Pasqua Indian Child and Family Services, Pasqua Health and Pasqua Justice. Mr. Missens volunteers as a coach with the Fort Qu'Appelle Minor Hockey Association. He has received CIC Director's training, completing five modules.

Bonnie Wallin of Wadena, Saskatchewan has spent the past 30 years working with adults with intellectual disabilities. She is recently retired and is a past member of the Saskatchewan Association of Rehabilitation Center's Board of Directors. She has also served as a member of the SGI Board of Directors. She is a former Chair of the Wadena Economic Development and Tourism Committee, a past Worthy Matron of the Order of the Eastern Star (Wadena chapter) and is an active member of the Royal Canadian Legion and Chair of the Wadena Community Cares Foundation.

Governance Practices

SaskGaming's approach to corporate governance is substantially consistent with the guidelines set out in the Canadian Institute of Chartered Accountants (CICA) Handbook and the Canadian Securities Administrators (CSA) National Policy 58-201 – Corporate Governance Guidelines, and National Instrument 58-101 – Disclosure of Corporate Governance Practices.

The National Policy and National Instrument address the key areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role in working with management and the functioning of the Board. Although SaskGaming is not legally obligated to comply with CSA governance guidelines, the Corporation has benchmarked its corporate governance practices against the CSA National Policy and National Instrument Guidelines in the following corporate governance scorecard.

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	**SaskGaming's Corporate Governance Practices**	**Consistent with CSA Guidelines?**
1. Board of Directors Composition The Board should have a majority of independent directors.	There are seven members on the SaskGaming Board appointed by the Lieutenant Governor in Council. The Federation of Saskatchewan Indian Nations nominates three Board members, and the provincial Cabinet appoints four members. All directors are independent.	Yes
Disclosure of significant shareholders (ability to exercise the majority of votes to elect directors):	Saskatchewan Gaming Corporation, as a statutory Crown corporation does not have any issued share capital. Although CSA is reviewing governance of controlled companies, this feature is not applicable to SaskGaming.	Not Applicable
(a) Disclose the identity of directors; and (b) Describe who is independent and the basis for the determination of independence.	Wes Becker, Chair: Independent, retired banker Blair Ross, Vice-Chair: Independent, President and COO, co-founder of SRG Security Resource Group Ron Bruck, Independent, retired RCMP officer Bonnie Wallin, Independent, retired CEO of Mallard Diversified Services Inc. Lindsey Kequahtooway (Kaye), Independent, FSIN appointee Dr. Ron Martin, Independent, Dentist, FSIN appointee Kevin Missens, Independent, Pasqua Treaty Land Entitlement Coordinator and former RCMP officer, FSIN appointee None of the directors or their "associates" have worked with or for the Corporation, or have material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as Directors or Committee members or as Directors of subsidiaries of the Corporation.	Yes

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	SaskGaming's Corporate Governance Practices	Consistent with CSA Guidelines?
(c) Indicate whether directors are directors of any other issuer that is a reporting issuer	SaskGaming does not have share capital, and therefore is not an issuer.	Not applicable
(d) Do directors hold regularly scheduled in-camera meetings to facilitate open and candid discussion? If so, how many meetings were held in the previous 12 months?	At each regular meeting the Board sets aside time on the agenda for an in-camera session where management is excused from the meeting. The Board held five meetings in 2011.	Yes
(e) The chair should be independent to provide leadership for the directors.	The Board structure of SaskGaming is such that the Chair of the Board is independent.	Yes
(f) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	The following are the attendance statistics for Board meetings: Director — Board Meetings Attended Wes Becker — 10 Blair Ross — 9 Lindsey Kequahtooway (Kaye) — 7 Dr. Ron Martin — 9 Kevin Missens — 9 Ron Bruck — 9 Bonnie Wallin — 10 For the purposes of this report, members who attended meetings in part were considered to be present.	Provided
2. Board Mandate The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the Corporation and which delineates its roles and responsibilities, including responsibility for:	The Board has written Terms of Reference that set out its responsibility to function as stewards of the Corporation, and the obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence among shareholder expectations, corporate plans and management performance. Terms of Reference are available to the public on the corporate website. The Board adopts an Annual Work Plan to ensure the duties and responsibilities identified in the Terms of Reference are scheduled to be achieved.	Yes
(a) Satisfaction regarding the integrity of the Chief Executive Officer (CEO) and executive and the creation of a culture of integrity;	The Board and all employees act in accordance with the governing legislation, the Corporation's Code of Business Conduct and Ethics Policy and Board Terms of Reference which are available to the public on the corporate website. Each of the three committees established by the Board has its own Terms of Reference, which are available on the Corporate website. Board members are also governed by the CIC Code of Conduct for Directors.	Yes

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	SaskGaming's Corporate Governance Practices	Consistent with CSA Guidelines?
(b) The adoption of a strategic planning process and approval of a strategic plan that takes into account, among other things, the opportunities and risks of the business;	SaskGaming has an integrated strategic planning process using the balanced scorecard methodology to build clarity about the strategic direction, ensure alignment with shareholder priorities, and to translate that direction into a results-focused, actionable performance plan. At the beginning of the process the Board of Directors engaged in a strategic planning event to review the environmental scan, determine the risks and impact on the Corporation and the shareholder, and determine a set of priorities for action over the next three to five years. The Board and Management have identified four key risks and business priorities in its 2011 Performance Management Plan. These are: Guest Experience Excellence, Employee Experience Excellence, Social Responsibility and Sustainable Corporation.	Yes
(c) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;	Management and the Board developed an integrated Enterprise Risk Management Framework in 2009 that integrated the Corporation's risk management program into its annual planning process.	Yes
(d) Succession planning, including appointing, training and monitoring senior management;	The Board is responsible for succession planning, and established the Governance and Human Resources Committee to approve and/or recommend the Corporation's HR policies, guidelines, procedures and systems, and to report changes in policies to the Board. SaskGaming has a workforce plan to ensure the Corporation has the right people, competencies and skills needed to be successful. The workforce plan links to the Corporate Learning and Development Plan, through which we manage the development of desired competencies. SaskGaming is developing a Workforce and Succession Planning Framework that meets the current and long-term needs of the organization, supports the organization in achieving the 50 per cent Aboriginal employment target, and ensures that SaskGaming can meet its business plan goals.	Yes
(e) A communications policy for the Corporation;	The Saskatchewan Gaming Corporation is committed to the principles of transparency, openness and timeliness in communications with its owner, employees, stakeholders and the public. The Corporation complies with communication requirements set by the shareholder. The Board reviewed and approved the communications policy in 2009.	Yes

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	SaskGaming's Corporate Governance Practices	Consistent with CSA Guidelines?
(f) The integrity of the Corporation's internal control and information management systems;	The Board has a responsibility to ensure the Corporation operates in a businesslike and financially responsible way. The Board has appointed an Audit and Finance Committee to assist the Board in fulfilling its responsibilities with respect to the adequacy and integrity of the Corporation's financial reporting, internal control systems, risk management and relationship with external auditors.	Yes
(g) Development of approach to corporate governance, principles and guidelines;	The Governance and Human Resources Committee is mandated through its Terms of Reference to be responsible to the Board for the development, review and effectiveness of SaskGaming's corporate governance practices. The Committee also serves as the ethics advisory to the Board. SaskGaming reviewed its Corporate Governance Framework in 2009. The Framework includes decision-making protocols, accountabilities and relationship management with our external stakeholders. Revised Terms of Reference for Board and Committees are available in the Corporate Governance section of the website.	Yes
(h) General mandate re: stakeholder relations, and expectations and responsibilities of directors.	The duties of Directors are set out in legislation. A Code of Conduct applicable to the directors of all subsidiary Crown corporations also guides members of the Board. The primary responsibility of the Board of Directors is to foster the long-term success of the Corporation consistent with the Board's responsibility to its shareholder. The Chair of the Board participates in a CIC Chairs forum conducted by the statutory shareholder, where feedback and communication is provided to all Crown Corporation Board Chairs on the expectations of the Holding Company as representatives of the shareholder. Building on the base of directors' duties outlined in legislation, the Terms of Reference for the Board and its Committees are reviewed annually.	Yes
3. Position Descriptions (a) The board should develop position descriptions for the chair of the board and chair of each board committee;	The Board Chair operates within the statutory requirements of The Saskatchewan Gaming Corporation Act. The Board has developed position descriptions for the Chair of the Board, the Committee Chairs and individual directors which sets out the duties and responsibilities of each.	Yes
(b) Together with the CEO, develop a position description for the CEO delineating management's responsibilities and approving corporate goals and objectives that the CEO is responsible to meet.	The Board has developed the Board's Terms of Reference which outline the responsibilities of the Board and Management. The Board has approved a position description that sets out the primary duties, responsibilities and accountabilities of the CEO. The Board has also approved policies for expenditure authorities for the CEO and Executive Officers. These policies clearly outline the limits of their authorities and the levels for which matters must receive Board approval.	Yes

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	SaskGaming's Corporate Governance Practices	Consistent with CSA Guidelines?
4. Orientation and Continuing Education The Board should ensure new directors receive comprehensive orientation and fully understand the role and the contribution they are expected to make; and, the Board should provide continuing education opportunities for all directors.	The Governance and Human Resources Committee has responsibility to provide an appropriate orientation program for new directors and a continuing education program for all directors. Directors receive an orientation to the Corporation and the industry from Management. CIC delivers a comprehensive training program for directors focusing on best governance practices and the Board's role and responsibilities.	Yes
5. Code of Business Conduct and Ethics (a) The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the Corporation which is designed to promote integrity and deter wrongdoing. The code should address conflicts of interest, protection, proper use of corporate assets and opportunities, confidentiality, fair dealing, compliance with laws, rules and regulations and provide a mechanism to report illegal or unethical behaviour.	Directors of the Corporation are required to abide by CIC's Directors' Code of Conduct. The Governance and Human Resources Committee, as the Ethics Advisor to the Board, is required to administer, monitor and enforce the Directors' Code of Conduct, which includes reporting annually to the Board concerning compliance. Directors have an ongoing obligation to inform the Board of any material changes in their circumstances or relationships which may affect the Board's determination of their independence. The Governance and Human Resources Committee annually reviews the enforcement of and compliance with corporate policies related to employee conduct, harassment and violence in the workplace.	Yes
(b) The board should monitor compliance with the code and grant any waivers required for directors and executive officers. Any waivers for a material departure from the code for any directors or officers should be granted by the board.	The Governance Committee monitors and reports annually to the Board concerning compliance with the CIC Directors' Code of Conduct. The Committee also advises Directors on conflicts of interest, including actions for avoiding a conflict or potential conflict of interest. No waivers were granted in 2011.	Yes

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	SaskGaming's Corporate Governance Practices	Consistent with CSA Guidelines?
6. Nomination of Directors (a) The board should appoint a nominating committee composed of entirely independent directors, with a written charter establishing the Committee's purpose, responsibilities, member qualifications, appointment, removal, structure and operations.	SaskGaming does not have a separate nominating committee; however, SaskGaming's Governance and Human Resources Committee performs the function of a nominating committee. As stated in the Terms of Reference, the Committee will, in compliance with the Crown Investments Corporation Board of Directors Appointment Policy, review potential candidates and recommend approval of qualified candidates to the Board for consideration by the CIC Board of Directors. The Committee also reviews and recommends a candidate for appointment of Chair of the Board, reviews and makes recommendations regarding the composition of the Board and the Committees and reviews and recommends appropriate Committee structure. All of the Governance and Human Resources Committee members are independent. The Governance Committee has the authority to retain external advisors it determines necessary to assist with carrying out its duties and responsibilities.	Yes
(b) The board should adopt a nomination process which first considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and, identifies competencies and skills each new nominee would bring to the board, including the ability to devote sufficient time and resources to the job.	The Governance and Human Resources Committee is responsible for assessing the skills and competencies of Board and committee members to support the strategic direction and the operational needs of the Corporation. The Board may make recommendations to the shareholder respecting the appropriate mix of skills, qualifications and expertise required for new directors. The Board has developed position descriptions for the Chair of the Board, the Committee Chairs and individual directors which set out the duties, responsibilities and expectations of each position. (For reference: The Saskatchewan Gaming Act requires appointment of directors through Order-in-Council, and limits the Board to recommend candidates only.)	Yes
7. Compensation (a) The board should appoint a compensation committee composed entirely of independent directors, with a written charter to establish the Committee's purpose, responsibilities, member qualifications, appointment, removal, structure, operations and manner of reporting to the board.	The Board has appointed a Governance and Human Resources Committee, which has responsibility to make recommendations to the Board on human resource and compensation-related matters. Written Terms of Reference prescribe the scope, duties and responsibilities of the Committee. The Committee has been given the authority to retain any outside advisor it deems necessary. The Board monitors and evaluates the performance of the CEO on an ongoing basis. The Governance and Human Resources Committee conducts an annual performance review of the CEO. The Governance and Human Resources Committee is comprised of independent directors.	Yes

CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices	SaskGaming's Corporate Governance Practices	Consistent with CSA Guidelines?
(b) The compensation committee should be responsible for reviewing and approving corporate goals and objectives relative to the CEO's compensation, the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on the evaluation; as well as reviewing executive compensation prior to public disclosure.	The Governance and Human Resources Committee annually reviews and recommends to the Board the performance objectives, work plans and development plans for the President and CEO for the upcoming year. The Committee, with the Chair of the Board, conducts an annual performance review of the President and CEO, based on agreed-upon objectives and developmental initiatives, which are approved by the Board and updated each year. The Committee shares the results of the annual performance review with the Board. The Committee reviews the President and CEO Position Profile as required, or at least every three years, and recommends any amendments to the Board for approval. The Committee monitors and annually reviews the compensation and benefit programs and policies for the Executive Officers. The Committee reviews and recommends to the Board, where appropriate, any changes to the compensation levels for the President and CEO or Executive Officers. The Committee and the Board have a responsibility to annually review the details of compensation paid to Executive Officers that are required to be reported in the Crown Payee Disclosure Report.	Yes
(c) The compensation committee should be responsible to make recommendations to the board with respect to director compensation.	Compensation levels for Directors, the Chair of the Board and Committee Chairs are set by the CIC Board of Directors.	Yes
8. Other Board Committees Identify standing committees other than audit, compensation and nominating, and describe their function.	The Board has the authority to appoint any committee it considers necessary for the efficient conduct of the affairs and business of the Corporation. The Governance and Human Resources Committee serves as a nominating committee to the Board.	Yes
9. Board Assessments The Board, its committees and each individual director should be regularly assessed with respect to their effectiveness and contribution in terms of the board or committee's terms of reference, or an individual director's position description and competencies and skills.	The Board follows a process to evaluate the performance of the Board, Board Chair, Committees, Committee Chairs and individual Directors. Evaluations are conducted bi-annually, with the Board and Board Chair evaluated one year, and the Committees, Committee Chairs and directors evaluated in alternate years.	Yes

Executive Team

Twyla Meredith, CMA, FCMA, President and CEO, joined SaskGaming in 1996. Ms. Meredith has a Bachelor of Administration degree from the University of Regina and is a Certified Management Accountant. In 2009, Ms. Meredith was named a Fellow of the Society of Management Accountants of Canada.

Gerry Fischer, Senior Vice President, Operations joined Casino Regina in 1995 as Director of Sales and Promotions, and became Vice President of Marketing the following year. He has provided leadership to Operations since 2005 and holds a BA (Advanced) in Economics and a Bachelor of Administration degree from the University of Regina.

Tony Coppola, Senior Vice President, Finance and Administration joined SaskGaming in 2006. He holds a BA Honours in Economics from the University of Regina and a Master's degree in Economics from Simon Fraser University. He has also completed the Ivey School of Business Executive Program, the Queen's University Leadership program and the Gaming Executive Development Program, University of Nevada, Reno.

Bob Arlint, Vice President, Corporate Risk and Compliance, completed his education in the Northwest Territories before studying Social Work at Red Deer College. Mr. Arlint served with the RCMP for 25 years before joining SaskGaming in 2001 as a Gaming Control Officer. He was named Vice President, Security in 2006.

SaskGaming Executive (left to right): Bob Arlint, Gerry Fischer, Susan Flett, Blaine Pilatzke, Twyla Meredith, Tony Coppola

Blaine Pilatzke, Vice President, Human Resources, brings 17 years of experience in labour relations to SaskGaming. He joined the corporation in 2004 as Director of Labour Relations and was appointed Vice President of Human Resources and Aboriginal Relations in 2007.

Susan Flett, Vice President, Marketing, joined SaskGaming in 2000 as the Director of Player Relations, and in 2005 became Director of Marketing. She was appointed to her current position in May 2010. Ms. Flett completed her Bachelor of Administration at the University of Regina, holds a Queen's University Certificate in Human Resource Management and completed the Executive Leadership Program at Queen's University.

Glossary of Terms: Balanced Scorecard Reference

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Guest Experience Excellence					
Mystery Shopper Score Lead indicator Measured quarterly Lead: Operations	Mystery Shopper Score rates casino employee ability to provide customer service related to the following four dimensions of the new 'Game On' customer service philosophy: • Greeting guests; • Anticipating guest needs; • Meeting guest needs; and • Engaging guests.	Objectively measures service quality provided by casino employees in the opinion of service quality experts.	Measured quarterly, an external consultant conducts a series of transactions with employees to quantitatively and qualitatively measure their service experience against the four service dimensions of the 'Game On' service philosophy using a five-point scale. The consultant uses a pre-planned checklist of service actions and behaviors to rate each dimension. In total, the Mystery Shopper survey assesses 36 specific staff positions at the two casinos. The target is to complete between 5 and 30 mystery shopper transactions with each of the 36 staff positions. The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.).	The Mystery Shopper survey was revamped in 2011 to better reflect the Guest Service Excellence philosophy. The following scores are the baseline measures from the new survey completed in August 2011. Baseline measures from initial survey are as follows: CR: 4.48 CMJ: 4.62 Average: 4.51 or 90.2% 2012 Target: 4.525/5 or 90.5% The Mystery Shopper score is already at a high level. Historically with other surveys, once over the 80% barrier, the score has increased at a decreasing rate.	Employees will be trained and coached against principles captured by the Mystery Shopper survey. As with the previous Mystery Shopper scoring system, it is expected the scores using the new system will rise as well, though perhaps not as quickly. Therefore, it is reasonable to assume the score can be increased to 4.6 out of 5 by 2015 or 92%. (1/2 percentage point improvement per year over the time period except for 2016 when the score is expected to stabilize).

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Guest Experience Excellence					
Guest Satisfaction Survey Lead indicator Measured quarterly Lead: Marketing	The corporation measures three aspects of Guest Satisfaction: Service, Products and Property. An average score is calculated for CR and CMJ.	Objectively measures guests overall satisfaction with their casino experience.	Exit surveys are conducted on a quarterly basis as guests are leaving the properties. Guests are asked to rate their satisfaction, on a scale of 1 to 10, on a series of questions on employee service, product delivery and property attributes. The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.).	The Guest Satisfaction survey is new for 2012. The goal of the survey is to better reflect the overall Guest Satisfaction. The following scores are the baseline measures from the new survey: Guest Satisfaction: CR: 7.97 CMJ: 8.54 Average: 8.08 or 80.8% 2012 Target: 8.15/10 or 81.5% Guest satisfaction is already at a high level. Historically with other surveys, once over the 80% barrier, the score has increased at a decreasing rate.	Therefore, since this measure is the baseline score from a new measurement tool, and that employees will be trained and coached against these standards, it is assumed the trend will continue to be positive with this measure. It is reasonable to assume the score can be increased to 8.3 out of 10 by 2015. This represents a ½ percentage point increase annually each year through the forecast period until 2016 when it is expected to stabilize. The trend line is based on the assumption there are no new gaming products added and/or no significant changes to the properties (e.g. expansions) will occur. If either of these situations occur, they may impact the forecasted trend line.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Guest Experience Excellence					
Guest Opinion about Safety on Premises Lag Indicator Measured Quarterly Lead: Corporate Risk and Compliance	A measure of casino visitors' opinion of personal safety measures at Casino Regina and Casino Moose Jaw.	SaskGaming is committed to ensuring the safety of our employees and patrons. Security and integrity is a pillar of SaskGaming's Corporate Social Responsibility Framework.	Exit surveys are conducted on a quarterly basis. Guests are asked to rate their satisfaction, on a scale of 1 to 10, with personal safety measures at Casino Regina and Casino Moose Jaw. The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.).	The methodology used to track this performance measure is new for 2011. The 2012 target of 88% was chosen because it builds incrementally on the 2011 benchmark of 87.6%.	Other quantitative research indicates that the vast majority of guests are likely to indicate high levels of satisfaction with personal safety measures at the casinos. As such, targets for modest increases up to 90% by 2014 and remaining for 2015 and 2016 will focus on maintaining guest opinion in this area.
Employee Experience Excellence					
Aboriginal Representation Lead indicator Measured quarterly Lead: Human Resources	This measure focuses our employee attraction and retention efforts to achieve a target of 50% Aboriginal representation as per the framework agreement with the Federation of Saskatchewan Indian Nations (FSIN). SaskGaming also works toward meeting other Saskatchewan Human Rights Commission designated work group targets but the emphasis is placed on Aboriginal representation.	A measure of diversity of SaskGaming's workforce.	Using information from the HR system, a percentage is calculated for each diversity group (number of diversity group employees within a group divided by total number of employees).	SaskGaming's recruitment and retention strategy contains a number of initiatives (e.g. targeted recruitment activities, retention and career development programs, etc.) intended to maintain/increase Aboriginal representation in its workforce. However, the 50% target is significantly higher compared to other workplaces [e.g. the Aboriginal representation rate in the provincial public service was 11.8% in 2010]. As such, SaskGaming expects the share of Aboriginal representation to remain stable at 43.0% in 2012.	SaskGaming anticipates the share of Aboriginal representation will increase marginally through the forecast period from 43.0% in 2012 to 44.0% in 2016.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Employee Experience Excellence					
Employee Satisfaction (New) Lead indicator Measured Bi-Annually Lead: Human Resources	SaskGaming measures employee's level of satisfaction with their work environment.	The purpose of the survey is to confirm or discover what motivates employees, what drives loyalty and what genuinely keeps employee happy in order to increase staff retention/reduce turnover.	SaskGaming will implement the survey bi-annually. The results will be reviewed by an internal committee to determine the responses and actions that are required. The Employee Satisfaction Survey is based on the National Business Research Institute's (NBRI) employee survey.	Under the NBRI's methodology, the 50th percentile represents an average across similar-sized industries. With the concerted efforts on behalf of managers to improve employee satisfaction, it is anticipated the employee satisfaction level will increase in 2012. Setting a target of 50% is consistent with the average of similar sized industries, and provides an achievable, realistic goal. Additionally, the Board approved the 2012 target in an August 26th, 2011 Decision Item.	Under the NBRI's methodology, the 75th percentile and 90th percentile are considered 'Stretch Performance' and 'Best in Class Performance', respectively. SaskGaming has selected targets for the 2013-16 period, which will move it incrementally towards the 'Stretch Performance'
Service Component of Guest Satisfaction Lead indicator Measured Quarterly Lead: Operations	The corporation measures three aspects of Guest Satisfaction: Service, Products and Property. This is simply the Service component of that survey. An average score is calculated for CR and CMJ.	Objectively measures service quality provided by casino employees in the opinion of guests. This measure is a proxy for the effectiveness of SaskGaming's hiring and training programs.	Exit surveys are conducted as guests are leaving the properties. Guests are asked to rate their satisfaction, on a scale of 1 to 10, a specific question regarding the overall satisfaction with the service received from casino staff across 11 areas of service. The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.).	Exit surveys will be conducted quarterly to gauge customer satisfaction. The recent baseline survey showed the following results: Guest Satisfaction: CR: 8.21 CMJ: 9.02 Average: 8.37 or 83.7% 2012 Target: 8.45 out of 10, or 84.5% Guest satisfaction is already at a high level. Historically with other surveys, once over the 80% barrier, the score has increased at a decreasing rate.	Since this measure is the baseline score from a new measurement tool, and employees will be trained and coached against these standards, it is assumed the trend will continue to increase in small, positive increments. It is anticipated this measure will increase to 86.0% by 2016.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Employee Experience Excellence					
Employee Safety Lag Indicator Measured Quarterly Lead: Human Resources	SaskGaming's total injury rate is provided by Worker's Compensation Board (WCB) and is based upon the number of reported injuries. It is calculated as the percentage of total injuries per 100 employees. This indicator represents an injury frequency rate whereby the optimal rate is 0%. SaskGaming is benchmarked against other comparable businesses within the same industry (WCB's rate code of S3203 pertains to casino operations and administration among other forms of gaming such as bingo halls), safety charter firms (i.e. businesses that have signed onto WCB's safety program thereby making a commitment to reduce injuries in their respective workplaces) and the province as a whole.	Effective May 2011, SaskGaming implemented its Occupational Health and Safety (OHS) Policy to establish its commitment to maintaining a safe and healthy work environment for its employees.	Injury Frequency Rate Calculation: Total Workplace Injury Rate = [(Total New Injury Claims Accepted by WCB)/(Total # of Workers covered by WCB)]. Notes: the rate is calculated per 100 workers. Additionally, the number of workers is expressed as full-time equivalents, which is calculated by dividing reported payroll by the average weekly wage. The rate is also annualized each quarter to provide a common benchmark for the balanced scorecard.	SaskGaming developed a new safety program in 2011 to reduce accidents and improve safety. This new program is to be implemented in 2012. SaskGaming expects slight improvement in the injury rate and, as a result, is targeting a 6.0% rate in 2012.	As the implementation of the new safety program continues in the future, SaskGaming expects continued improvements in safety and reductions in the number of injuries. SaskGaming's goal is to get its injury rate to about 1/3 compared to other businesses in the WCB's S32 rate code (11.5% in 2010) and roughly half the average of safety charter firms (7.8% in 2010) and the provincial average (8.7% in 2010). SaskGaming is expected to reach the target goal of 4.0% in 2014 and maintain that target through the forecast period as its injury rate stabilizes.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Social Responsibility					
Guest Awareness of Responsible Gaming Lag Indicator Measured Quarterly Lead: Corporate Risk and Compliance/ Communications and Community Relations	A measure of casino visitors' awareness of the responsible gaming information and support programs we offer.	SaskGaming is committed to offering casino entertainment in a socially responsible manner. This includes providing all guests with information and education about the casino environment so they can make informed, responsible choices about their play. Responsible gaming is a pillar of SaskGaming's Corporate Social Responsibility Framework.	Exit surveys will be conducted on a quarterly basis as guests are leaving the properties. Guests are asked "Are you aware of any responsible gaming programs or advertised campaigns support by SaskGaming and Casino Regina/ Moose Jaw?" Respondents answer using a 5-point Likert Scale answer format (i.e. respondents choose an answer from 'very aware','aware', 'somewhat aware', 'not aware' and 'unsure'). The measure sums all the respondents who indicated they are somewhat aware, aware, or very aware. The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.).	Respondents to the exit survey in Q3 2011 indicated that 60.8% of respondents were somewhat aware, aware or very aware of SaskGaming's responsible gaming programs or advertising, which represents a benchmark for this new measure. The 2012 target of 62.0% is based off this benchmark. The 2012 target has been chosen because it is expected there will be incremental growth in guest awareness of SaskGaming's responsible gaming programs based on the current level of advertising and promotional activity.	Previous quantitative research indicates that small, incremental year-over-year increases in guest awareness of responsible gaming can be expected (given the level of resources allocated to this). Therefore, the trend for 2013-16 is expected to grow incrementally every year, reaching 66.0% by 2016.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Social Responsibility					
Public Opinion of Community Support Lag Indicator Measured Annually Lead: Communications and Community Relations	A measure of public opinion within the Casino Regina and Casino Moose Jaw market areas of our performance in supporting and giving back to the community.	SaskGaming is committed to enhancing the quality of life for Saskatchewan people. This includes reaching out to communities with support, volunteerism and sponsorship of worthwhile events and organizations. Community support is a pillar of SaskGaming's Corporate Social Responsibility Framework.	Using a telephone survey people in the Regina and Moose Jaw areas are asked "How well is SaskGaming doing at giving back to the community through charitable or community donation and sponsorships"? Respondents answer using a 5-point Likert Scale answer format (i.e. respondents choose an answer from 'very well',' well', 'somewhat well', 'not well' and 'unsure'). The measure sums all the respondents who indicated that the casinos do somewhat well, well, or very well. The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.).	The 2012 target is 46%. The methodology used to track this performance measure was new in 2010, so limited historical data is available to establish a trend. In 2010, 35% of respondents indicated that the casinos do somewhat well, well, or very well in supporting and giving back to the community. In 2011, this figure climbed to 44.4%. The increase is likely due to a media relations and advertising campaign that was undertaken in 2011 to raise awareness of SaskGaming's Community Giving efforts, along with increased sponsorship activation initiatives. While these efforts will continue in 2012, more modest increases in positive public opinion are anticipated.	Previous quantitative research indicates that public opinion of SaskGaming's community support tends to fluctuate. However, with sustained media relations, advertising and sponsorship activation efforts similar to those undertaken in 2011, it is reasonable to assume that modest, year-over-year increases in positive public opinion can be achieved. This is consistent with guest awareness of responsible gaming, another pillar of SaskGaming's Corporate Social Responsibility Framework.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
Social Responsibility					
Aboriginal Sponsorship Lag indicator Measured annually Lead: Communications and Community Relations.	The percentage of SaskGaming's sponsorship expenditures that are directed to Aboriginal individuals, organizations or programs.	SaskGaming is targeting a specific percentage of its annual sponsorship expenditures toward Aboriginal people. The corporation's Community Giving strategy states that it will place a priority on supporting initiatives that positively influence the lives of Aboriginal people, and/or support improved education and pre-employment training for Aboriginal people who reside near its core communities.	Percentage of SaskGaming's total sponsorship and through its Community Giving program that are directed to Aboriginal individuals, organizations or programs. Organizations or programs applying for sponsorships will be asked to identify whether their project/event targets or benefits Aboriginal people.	The 2012 target represents an achievable increase from the 2011 year-to-date, progressing toward the corporation's goal of 25% in 2016.	SaskGaming will work toward directing a percentage of its sponsorship expenditures to Aboriginal individuals, organizations or programs that is equal to the percentage of net profit that is directed to Saskatchewan First Nations through the First Nations Trust.
Green House Gas Emissions Lag Indicator Measured Annually Lead: Finance and Administration?	SaskGaming was selected by Crown Investments Corporation (CIC) to participate in a greenhouse gas (GHG) emission reduction initiative. The goal of this initiative was to reduce GHG emissions by 20% by 2020 (at the Casino Regina location only). SaskGaming completed its baseline assessment in 2008 with 9,673 tonnes of GHG emissions. The emissions assessed to establish the base line are chlorofluoro-carbons (CFC's), water, power, fuel and gas consumption.	This measure will track SaskGaming's performance in reducing its GHG emissions relative to the base year established in 2008	Two GHG reduction calculations: 1. Annual target for GHG emissions at Casino Regina (expressed in tonnes). To determine the annual reduction in levels, subtract the current year level from the prior year level with the exception of 2012 (subtract the 2012 level from the 2008 baseline); and 2. Cumulate Percentage Reduction = [(2008 Base Year (9,673) - annual target level)/9,673]x 100	SaskGaming and SaskPower are entering into an agreement to retrofit Casino Regina over a five-year period to make it more energy efficient and reduce its GHG emission levels. The 2012 target is expected to be the same emissions level as measured in 2009. This is because the implementation of the first year's portion of the plan is not expected to significantly impact emissions reductions in 2012.	The annual reductions in GHG emissions vary as pieces of the 5-year retrofit plan are completed. Currently, SaskGaming expects to achieve its 20% emission reduction target for Casino Regina in 2015 instead of 2020 as originally envisioned.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
A Sustainable Corporation					
Income before Payment to GRF Lag indicator Measured quarterly Lead: Finance and Administration	A measure of profitability over a period of time.	Net income is typically used by investors and lenders as a determination of the firm's profitability. As such, this measure shows income before payment to the Government of Saskatchewan's General Revenue Fund (GRF) since the GRF payment is a distribution of income, similar to dividends being paid by private corporation, and does not reflect SaskGaming's operations.	Revenue – (operating expenses + interest expense + depreciation + taxes).	The 2012 target is $51.2M, which is $108,000 more than the $51.1M in 2011. This is based on a slightly larger increase in revenues compared to total operating expenses.	Income before Payment to the GRF is expected to decline from 2013 to 2016. This is based on basically flat revenue growth and increasing costs driven by collective agreements and inflation.
EBITDA Margin Lag indicator Measured quarterly Lead: Finance and Administration	SaskGaming has chosen to use Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) as an operational efficiency measure.	EBITDA margin is used by investors and lenders as a determination of the firm's profitability.	Earnings before indirect expenses divided by revenue expressed as a percentage.	EBITDA Margin is anticipated to be 47.5% in 2012. This is based on a slightly larger increase in revenues compared to total operating expenses.	EBITDA Margin is expected to decline from 2013 to 2016. This is based on basically flat revenue growth and increasing costs driven by collective agreements and inflation.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
A Sustainable Corporation					
Debt EBITDA (DE) Ratio (New) Lag indicator Measured quarterly Lead: Finance & Administration	This provides an estimate of the minimum length of time it could take SaskGaming to repay its long-term debt from operating income.	It measures the organization's capacity to repay long-term debt on a timely basis. SaskGaming worked with a consultant (HLT Advisory) in determining a number of new financially related measures. The Debt EBITDA Ratio replaces the Debt/Equity Ratio previously used based on the consultant's advice that the Debt/Equity Ratio is not an appropriate metric to measure solvency for the gaming industry in Canada because there is little equity since there is minimal paid-in capital and retained earnings due to government policy.	DE = Long-term debt/EBITDA	The Debt EBITDA ratio is anticipated to be 0.29 in 2012. This is based on an expected long-term debt repayment of $1.3M in 2012.	The Debt EBITDA ratio is expected to decline from 2013 to 2015 as SaskGaming continues to pay down long-term debt. In 2016, however, SaskGaming is expecting to partially finance a property refresh by increasing its long-term debt. This will cause the Debt EBITDA ratio to increase in 2016.
Capital Asset Turnover (CAT) Ratio (New) Lag Indicator Measured annually Lead: Finance and Administration	Represents SaskGaming's ratio of revenues to capital assets.	The casino gaming industry is capital intensive. The CAT Ratio measures SaskGaming's effectiveness at generating revenues from its capital assets (investments).	CAT = Revenue/ Capital Assets	The Capital Asset Turnover ratio is anticipated to be 2.1 in 2012 as the level of revenues and the stock of capital assets remain relatively constant.	The Capital Asset Turnover ratio is expected to increase slightly from 2013 to 2015 as SaskGaming's capital asset level remains relatively constant. In 2016, however, SaskGaming is currently expecting to complete a property refresh, which will decrease the Capital Asset Turnover ratio.

Measure	Description	Purpose	Methodology	2012 Target Explanation	2013-16 Trend Explanation
A Sustainable Corporation					
Payroll Margin (New) Lag indicator Measured quarterly Lead: Finance and Administration	Measures the ratio of payroll to revenue	Payroll is a significant operating cost of a casino. Payroll margin indicates if the use of payroll is efficient and effective, ensuring the financial success of the operation.	Payroll Margin = Total Payroll/ Revenue	SaskGaming's payroll margin is expected to be 31.6% in 2012.	SaskGaming's payroll margin is expected to rise throughout the forecast period based on relatively flat revenues and anticipated wage increases from new collective bargaining agreements, which expire in 2012 and 2013.
Guest Count Lead Indicator Measured Daily Lead: Marketing	Guest count measures the number of guests visiting CR and CMJ annually.	Guest count measures are used to evaluate the success of attraction programming, including promotions, to establish revenue targets and calculate profitability of Players Club states	Guest count is calculated/ estimated by sensors in the entrance areas that count the number of times the doors are opened. One guest visiting three times counts as three guests.	Based off of current guest count trends, the 2012 targets should be as follows: CR: 2,782,676 CMJ: 731,700 Total: 3,514,376	The Saskatchewan Liquor and Gaming Authority (SLGA) is expected to upgrade its VLT machines in 2013 and 2014. This is expected to decrease visitation to Casinos Regina and Moose Jaw based on a similar experience in the past when the SLGA updated its VLTs. It is anticipated that guest count will decrease by 2.0% in 2013, stay flat in 2014 and then increase by 1.0% annually until 2016 resulting in an estimated Guest Count of 3,513,314 by 2016 (i.e. the Guest Count is only expected to return to the 2012 level until 2016 due to the SLGA VLT upgrade). Guest count growth is expected to occur exclusively at CR while CMJ is expected to maintain guest counts at current levels.